
DON'T MISS THE BUILDER LIVINGHOME SHOW HOME AT THE 2009 IBS, SEE PAGE 4
WORKING WITH BANKS
BREAKING UP IS HARD TO DO
See page 35
Builder
THE MAGAZINE OF THE NATIONAL ASSOCIATION OF HOME BUILDERS
DECEMBER 2008
MANIFEST DENSITY
Housing's future may depend on small, affordable, attached homes
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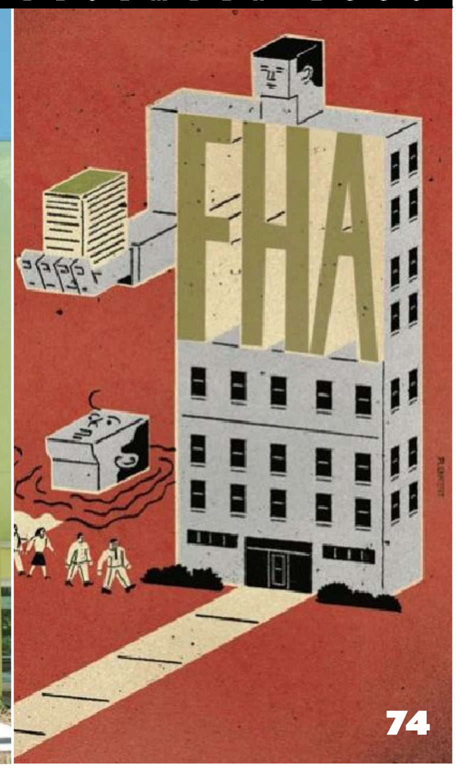
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Builder

VOLUME 31 ISSUE 14 DECEMBER 2008







FEATURES

Volume 31, number 14. BUILDER (ISSN 0744-1193; USPS 370-600) is published 14 times per year: monthly in Jan., Feb., May, June, July, Aug., Sept., Oct., Nov., and Dec. and semimonthly in March and April by Hanley Wood, LLC, One Thomas Circle, N.W., Suite 600, Washington, D.C. 20005, for the National Association of Home Builders and printed in the USA. Opinions expressed are those of the authors or persons quoted and not necessarily those of the NAHB. Reproduction in whole or in part prohibited without written authorization. Single-copy price: $12.00 (except House Plans issues, which are $12.95). Periodicals postage paid at Washington, D.C., and at additional mailing offices. Postmaster: Send address changes to BUILDER, P.O. Box 3532, Northbrook, IL 60065-3532. Member: Business Publications Audit, American Business Media.

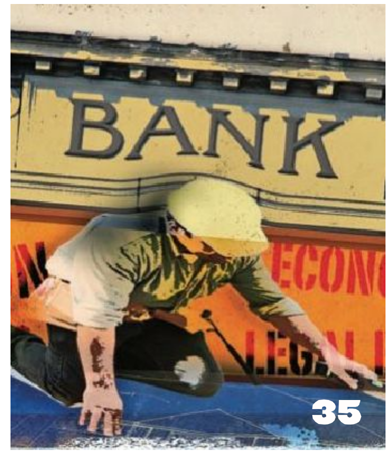
DEPARTMENTS

ON THE COVER: THE HILLSIDE IN AUSTIN, TEXAS, NESTLES URBAN LOFTS INTO A FORESTED LOT, OFFERING BUYERS THE SWANK OF CITY LIVING WITHOUT SACRIFICING NATURAL BEAUTY.

COVER PHOTO: BLAKE GORDON



23



35



45



53

WHAT'S NEW ON: WWW.BUILDERONLINE.COM

Builder Online

More to Come

Hate that disappointed feeling when you get to the end of a great article? So do we. That's why we don't stop within the confines of this month's issue—and neither should you. Go online to find slide shows covering each of the four attached-housing projects showcased in this month's design feature on attached housing. You'll find site plans, section drawings, floor plans, and lots of pictures to fuel your creative juices.

VIP Tour

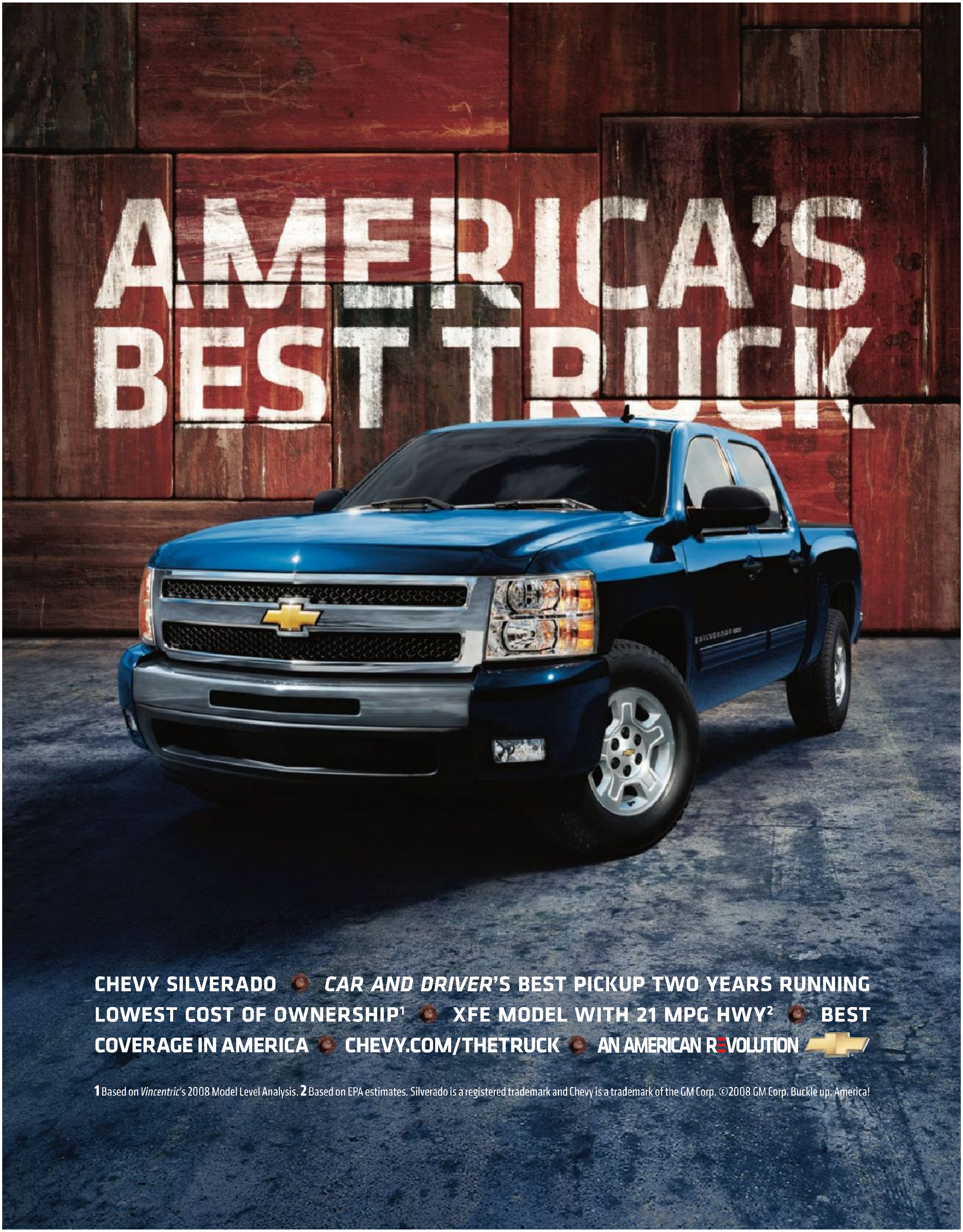
There's no question that the BUILDER Living-Home show home is going to be a hit at IBS in January. Showcasing modular and panelized building practices and the latest ideas in green building, the home is truly a look into the future of the industry. But why wait until IBS to get a glance at all it has to offer? Check out www.builderlivinghome.com for articles reporting on the home's cool features, blog posts, information on the project team, a product gallery, and Webinars featuring interviews with the builder, architect, and interior designer.



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POSTMASTER: Send address changes to Builder, P.O. Box 3532, Northbrook, IL 60065-3532

Builder will occasionally write about companies in which its parent organization, Hanley Wood, LLC, has an investment interest. When it does, the magazine will fully disclose that relationship.

Volume 31, number 14. Builder (ISSN 0744-1193; USPS 370-600) is published 14 times per year: monthly in Jan., Feb., May, June, July, Aug., Sept., Oct., Nov., and Dec. and semimonthly in March and April by Hanley Wood, LLC, One Thomas Circle, N.W., Suite 600, Washington, DC 20005, for the National Association of Home Builders and printed in the USA.

Single-copy price: $12 (except House Plans issues, which are $12.95). NAHB members receive one subscription at a rate of $15 per year taken from membership dues and nondeductible therefrom. Additional subscriptions may be purchased at the rate of $29.95 per year. Allow 6 to 8 weeks for delivery of first issue. Member: Business Publications Audit, American Business Media.

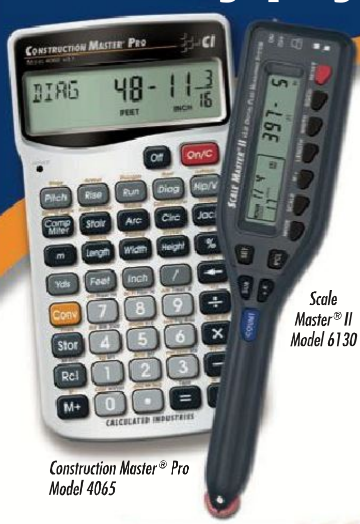
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Crestview Job | Drywall | – | – | – | 7:58 | 7:49 | 15:47
7:38 | 7:35 | 7:53 | 7:58 | 7:49 | 38:53
Regular Hours 38:53
Overtime Hours - 0 -
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Stop the Bleeding

Mortgage modification programs—though unfair—are necessary to stabilize the economy.

ANOTHER TOUGH YEAR IS ALMOST OVER. IT'S GOOD TO HAVE this one behind us. And though we have even harder times ahead, it seems as if we've at least identified most of the critical issues that make up the expanding universe of our global financial difficulties. Whether we can do anything about them, of course, is a different matter.

But we're going to give it our best shot.

There are lots of differing opinions about which parts of the crisis should be addressed, ignored, shored up, bailed out, or bought out. A general consensus seems to be coalescing around one issue, though—that the crisis in the U.S. won't end until the number of foreclosures declines. It's clear that large numbers of foreclosures hurt all of us, affecting our property values, our communities, our businesses, and the health of our local and national economies.

At the end of June, according to the Mortgage Bankers Association, more than four million homeowners, or 9 percent of all borrowers with a mortgage, were in arrears or already in the foreclosure process. There were 765,000 foreclosures in the third quarter alone. Because of growing job losses and the credit crunch, this number is likely to continue to increase.

If you're like me, every time you pick up one of those news stories about people about to be foreclosed on, about to lose their homes, you skip ahead, hoping just once that the subjects will be blameless. Hoping that this time, the subjects will have done nothing to bring this nightmare on themselves, that they will be innocent victims who were just trying to secure a small piece of the American Dream for themselves and their families.

I know those people are out there, but for some reason they're not the ones that get interviewed. Instead, the stories tell of people who refinanced to get in on the housing bonanza and buy another house for investment, losing both that one and the family home. Or of refinancing to pay off bills they'd accumulated, you know, just taking out enough to consolidate what they owe into one monthly payment, and maybe just a little extra. Sometimes you read about first-time borrowers that are going under, but even they seem to have made unwise choices, such as taking on an option ARM, paying the bare minimum, and owing a lot more now than when they closed on it. But more often, the examples are egregious, such as one stunning instance in which a family bought a house for $46,000 thirty-some years ago, now owe more than $600,000 on it, have nothing discernible to show for that money, and are unable to pay their mortgage. You have to wonder, where did the more than half a million dollars go?



JAMES KEGLEY

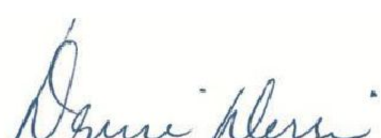
It's hard to feel much sympathy for these folks, especially when you are, like me, a person who tries to save, live within your means, and pay cash whenever possible. And it's hard not to feel like the man quoted in a *New York Times* story who said, "I am beginning to think I would have rocks in my head if I keep paying my mortgage." But I'm going to continue paying my bills and I bet you are, too.

Still, the temptation to get on that bandwagon is a strong one. Opponents of the mortgage modification plans from Fannie Mae, Freddie Mac, Citibank, J.P. Morgan Chase, Bank of America, and others cite the possibility of a huge moral hazard scenario here—that people who are underwater on their loans (estimated now at around 10 million), but can still afford to pay their mortgages, will stop paying so that they, too, can get better terms.

The plans have a variety of eligibility safeguards to keep people from intentionally defaulting—and should have more—but the time has passed for being able to micromanage this process on a case by case basis. There are simply too many cases.

But it has to be done. And yes, it will be unfair. And yes, some people will game the system. And people who were clueless, greedy, or irresponsible—and maybe all of the above—along with those who lost their jobs, had a serious illness, or were handed a bill of goods by a mortgage broker, will benefit from these programs.

But, ultimately, so will the rest of us.



DENISE DERSIN
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Commission's Case

The Texas Association of Builders (TAB) regrets it was not contacted for the Builder magazine article "Out of Commission?" [October, page 30] so that our organization and its nearly 13,000 members could express our strong support for the mission of Texas Residential Construction Commission (TRCC) as it undergoes our state's Sunset review process.

TAB is urging the Texas Legislature to improve—but not eliminate—the TRCC. In its short five years of existence, the TRCC has implemented procedures to protect homeowners and punish bad actors in the home building industry. Without the agency, our industry in Texas would be unregulated.

Is the TRCC perfect? No. Even the agency agrees further fine tuning is needed. In addition, reforms passed by lawmakers in 2007 have not been fully implemented or given the time to produce results.

But, on the whole, TAB believes the TRCC is doing its job, as is evidenced by the fact that 99.6 percent of all homes registered with the commission have not had construction defects that required homeowners to initiate the dispute resolution process.

Among the TRCC's successes and consumer benefits:

- Almost 500 builders have been removed from the marketplace because they were denied registration or shut down by the agency. Without the TRCC, these builders once again could do business.
- Builders and remodelers must register with the state, undergo background checks, and maintain a Texas business address.
- An online registry allows consumers to learn more about builders and remodelers before signing a contract.
- Building and performance standards now clearly spell out minimum criteria that every home built or remodeled must meet.
- For the first time in Texas history, home builders are required to provide minimum statutory warranties, which reassure home buyers that



components must perform to exacting performance standards or be replaced or repaired.

The Texas Association of Builders looks forward to working with Sunset commissioners and the entire Texas Legislature next session to make any necessary changes to the TRCC to allow it to better serve Texans.

SCOTT NORMAN
Interim Executive Director
Texas Association of Builders
Austin, Texas
Via e-mail

Just the Facts

After reading the article "Testing For Toxins" [October, page 40], I have a few concerns. For once, I was impressed to see that Marble Institute of America's rebuttal was finally included in a publication involving the radon scare in granite; however, very little was mentioned on MIA's behalf and no link was provided. Why give your readers a link backing one side of the story and not a link to back up


GREEN HOUSE

Bright Spot

PRODUCT SAFETY

Testing for Toxins

A Houston-based nonprofit takes aim at a void in delivering healthy indoor air.

UP link

GOT GREEN PROJECTS, PRODUCTS, OR DESIGNS?

40 • BUILDER OCTOBER 2008

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the other side of the argument? ... If you gave your readers a link to MIA's Web site (www.marble-institute.com), they would be able to research data from several scientific experiments that prove that granite is a safe countertop option. For instance, on November 17th, the MIA published results to their most recent study. A link to this study is on their Web site's main page, labeled "Largest Study of Granite Countertops Find No Stones that Pose Health Threat." Everybody has the right to be concerned about the safety of their home; however, these concerns must be answered by facts (which MIA has produced) and not unreliable hearsay.

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INSIDE STORY

Inside:

COMMENTARY AND ANALYSIS OF CURRENT EVENTS ■ EDITED BY JOHN CAULFIELD



MATT WOOD

POLITICS OF REDEVELOPMENT

Fool's Gold?

Toll Brothers moves forward cautiously on a dicey New Jersey project.

A 32-ACRE PLOT KNOWN LOCALLY AS the Golden Triangle is slated to be transformed into Cornerstone at East Brunswick, a transit-centric mixed-use community in central New Jersey that, as planned, would include 402 condos. According to local sources, prices would start in the $350,000 range. The redevelopment plan, though, has been a political football for decades, most recently during the township's mayoral race, whose victor has occasionally expressed reservations about it in the past.

Toll Brothers, which owns the site, declines to discuss Cornerstone's timetable. "It's an extremely complex project with many different moving parts, but at this time we have no comment," Kira McCarron, the builder's vice president of marketing, told BUILDER a few days before the mayoral election on Nov. 4. The current dismal state of the housing market lurks behind any decision to move forward, but Toll has negotiated a deal that conceivably could make money for the company even if it walks away.

CHANGE IN PLANS

East Brunswick, a bedroom community of around 50,000 people, has been pondering what to do with the Golden Triangle since the late 1970s, well before 2005 when Toll agreed to pay $35.4 million to purchase the land from the township. The parcel is sandwiched between a highway and a service road, with strip malls to its right and left and across the highway, and a sprawling industrial park to its rear. The site includes a bus terminal for township residents who commute into New York and Jersey City. There's a 300-acre landfill a half mile to the north.

Bill Neary, who decided not to seek reelection after 12 years as mayor, recalled that the township *(see page 24)*

started rethinking the Golden Triangle's redevelopment in 2003, five years before the township's 30-year lease would expire. At the time, the site was being used by a 60-vendor flea market that had been a local institution for three decades; a furniture store; and a Sam's Club, which pays the township just under $500,000 per year in rent, "well below market rate," laments Neary. (The flea market closed on Nov. 2; Toll extended the leases for the furniture store and Sam's through 2010.)

Originally, Toll offered to build a transit village with 500,000 square feet of commercial and retail space in 15 buildings. The village would have included between 210 and 230 age-restricted homes and three parking garages. When completed, the redeveloped property was projected to yield $3 million in annual tax revenue. But market forces changed all that. A glut of office space in the area forced Toll to reconfigure Cornerstone. The proposal that East Brunswick's planning board approved last April now includes 185,765 square feet of retail and restaurant space, no office space, and 402 condos without age restrictions. (On top of the $30.4 million it is paying for the land and $5 million to build a community center, Toll agreed to pay the township a one-time $20,000 fee for every school-aged child who moves into Cornerstone.)

PROMISES, PROMISES

Opponents of the Golden Triangle redevelopment have long accused the township of striking a hasty deal with Toll Brothers to close a $4 million budget gap. Toll has been paying down its land purchase in $4 million per year increments. It should be fully paid up by 2011. But the township earlier this year extended the builder's schedule for completing Cornerstone to 2015. That means tax ratables might not be in place for several years, leaving the township with a revenue shortfall. And if Toll decides to walk away from this deal, it gets back its money plus 8 percent interest.

Critics chafe as *(see page 26)*

IMPACT FEES

Making Do

How one city is coping with losses in revenue from housing.



The city of Riverside, Calif., has been feeling the pinch from the housing downturn for more than two years. And if demand doesn't pick up measurably, it expects housing-related fees it collects monthly to drop off by nearly 30 percent next year.

Riverside is like many municipalities that are facing revenue shortfalls because of sharp declines in new-home construction and home sales, which in Riverside's case are exacerbated by plummeting home prices and an avalanche of foreclosures.

In the first quarter of 2008, Riverside's taxable sales from building and construction, at $959.7 million, were 26.56 percent below the same period the previous year. Paul Sundeen, the city's CFO and treasurer, provided Builder with a breakdown of housing-related fees the city collects, in which he projects that collections in the 2008–2009 fiscal year could be nearly 60 percent lower than they were in 2004–2005, when Riverside was one of the country's hottest housing markets (see "Dwindling Dollars," above, left).

In 2008, Riverside reduced its general fund budget by 5 percent. And Sundeen says that reductions in building-related revenue have led to targeted cuts for the city's Community Development Department. The sales-tax shortfall also has had an impact on Riverside County's Measure A transportation program. Sundeen says that the Transportation Uniform Mitigation Fee program administered by the Western Riverside Council of Governments might yield less grant funding if housing doesn't turn around.

Recently, local economist John Husing called on Riverside to temporarily cut impact fees to allow builders to build more affordable homes. But Sundeen didn't think that would alter the playing field. He explains that impact fees average about 8 percent of a home's selling price. "If the city cut developer fees by, say, 10 percent, the likely benefit per home would be only a few thousand dollars," he says. "Such a small cost savings is not likely to induce significant additional construction activity."—*J.C.*

DWINDLING DOLLARS

Annual housing-related fees collected by the city of Riverside*

Fiscal Year	04/05	05/06	06/07	07/08	08/09
Building permits	$2,435	$2,815	$2,088	$1,213	$967
Design review board	$406	$232	$229	$226	$139
Plan check	$2,203	$1,617	$1,334	$1,341	$777
Plan review	$723	$1,067	$1,059	$372	$372
Inspection fees	$495	$770	$634	$526	$322
General plan surcharge	$785	$650	$635	$449	$318
TOTAL	$7,047	$7,151	$5,979	$4,127	$2,895
Increase/decrease		+1.48%	-16.39%	-30.98%	-29.85%

NOTE: FIGURES ARE IN THOUSANDS OF DOLLARS SOURCE: CITY OF RIVERSIDE, CALIF.

PULLING BACK: As construction and sales have fallen, Riverside, Calif., has made cuts in community development. But the city's CFO isn't convinced that lowering impact fees would spur more home purchases.

*Not specifically mentioned but included in housing-related fees are an issuance fee, storm drain fee, local park fee, street tree fee, regional park fee, aquatic fee, trails fee, signal fee, traffic fee, building fee, permit imaging fee, general plan fee, strong motion instrumentation fee (i.e., earthquake monitoring fee), and species habitat conservation plan fee.

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well at the $32 million East Brunswick shelled out to build a 1,681-slot parking garage for commuters and future residents of Cornerstone. (Neary says the township will pay for the garage's construction with parking fees and contracts with bus companies using the depot. The township opened the garage on Oct. 1 and will pay Toll $1 per year in rent. It has a 60-year lease with a 30-year option.)

One mayoral candidate in the recent election, Christi Calvano, is against building more houses in an area whose roads are already badly congested. Calvano also doesn't buy the township's promises about leasing space to high-end retailers. She points to another strip mall redevelopment, about a mile south of the Golden Triangle, for which the township made similar promises; in November, the first two stores to open there were Toys "R" Us and Babies "R" Us.

David Stahl, East Brunswick's newly elected mayor, has objected in the past to how this project was negotiated, including the subordination of the township to Toll's lender for any claim on the land. But Stahl generally favors the project and said during his campaign that he might shore up the budget gap through spending cuts and debt restructuring.

In an interview with a local newspaper last March, Toll's vice president of land acquisition, Robert Fuller, said that Cornerstone's progress had "no real correlation" with Toll's financial circumstances, which since that interview have worsened. Demand for housing in New Jersey hasn't exactly been robust lately; in the third quarter of 2008, the state's foreclosures were up 95 percent compared with the same period the previous year, and its rate of foreclosures in September—one in every 453 homes—outpaced the national average, according to Realty Trak.

"A lot of people think Golden Triangle is a terrible idea now," admits Neary. What once looked like a promising solution to this problematic site's redevelopment remains up in the air because, he says, "it's a different market today."—*J.C.*

INFRASTRUCTURE REPAIR

Treading Water

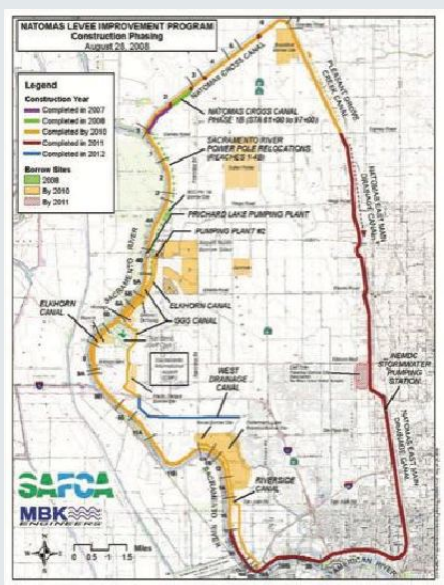
A construction moratorium doesn't stop land acquisitions in Sacramento.

On Dec. 8, a FEMA-imposed moratorium on all new construction projects went into effect in the flood-prone area around Natomas, Calif. That moratorium won't be lifted until 2011 at the earliest, or until the Sacramento Area Flood Control Agency (SAFCA) finishes a $618 million levee improvement program to provide the Natomas Basin with 100-year level flood protection and a 200-year level over time.

Developers and builders that pulled building permits before Dec. 8 had 180 days to at least partially construct their buildings to effect those permits. But well before the moratorium, Sacramento's housing market was tanking from a collapse in buyer demand. Some builders there have gone under and others have pulled up stakes, including Pardee Homes, which, according to local sources, sold 100 acres in Natomas—203 finished lots, 405 partially finished lots, and a 12-acre condo site—to Granite Bay Holdings for $25 million, or about 20 percent of Pardee's estimated total investment. (Neither Pardee nor Granite Bay returned phone calls from Builder requesting comment.)

Another group, San Diego–based private equity firm Ranch Capital, recently acquired a townhouse project in Natomas from D.R. Horton called Provence. As of mid-October, the infrastructure for Provence was installed but the 187 home units were not yet built, says Kevin Smith, a principal with MDS Development, which Ranch Capital is paying to identify land acquisition opportunities.

Smith wouldn't comment on what Ranch Capital paid Horton, but he did note that Ranch Capital didn't pull permits before the moratorium because homes would require flood insurance "that would take $40,000 to $60,000 in purchasing power away from buyers." Smith was coy about what kind of homes will be built, saying only that the company thinks "the market will support higher-density, 1,000- to 1,500-square-foot townhouses that target baby boomers looking to downsize." He doesn't expect the community to be limited to active adults, however.



During the levee repair, Smith says Ranch Capital will work with the city of Sacramento and surrounding towns "to come up with an absolute winning development." And he's not letting a little water seepage keep him from searching for other land deals. But he knows that communities on that land "have to be close to jobs and offer products that are affordable. In the last cycle, too many of us got carried away with three-car garages and five bedrooms."—*J.C.*

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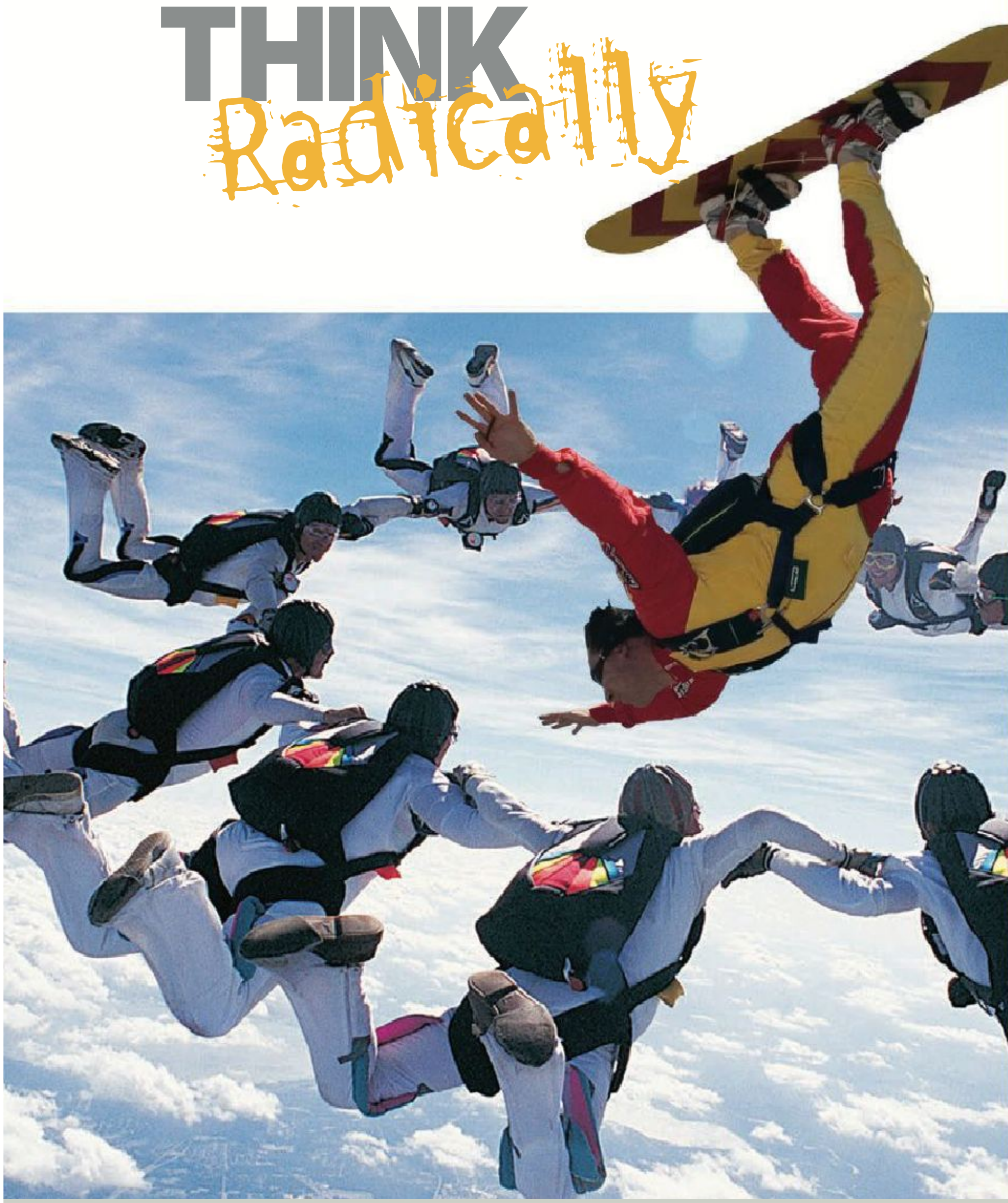
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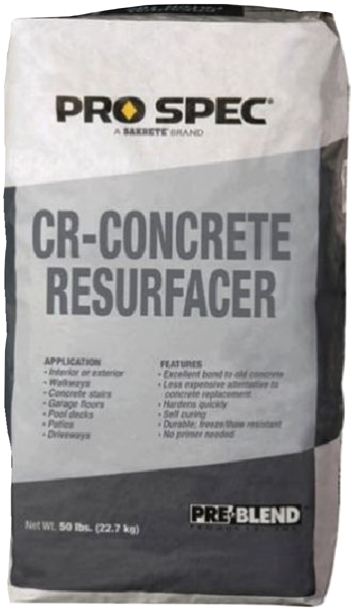


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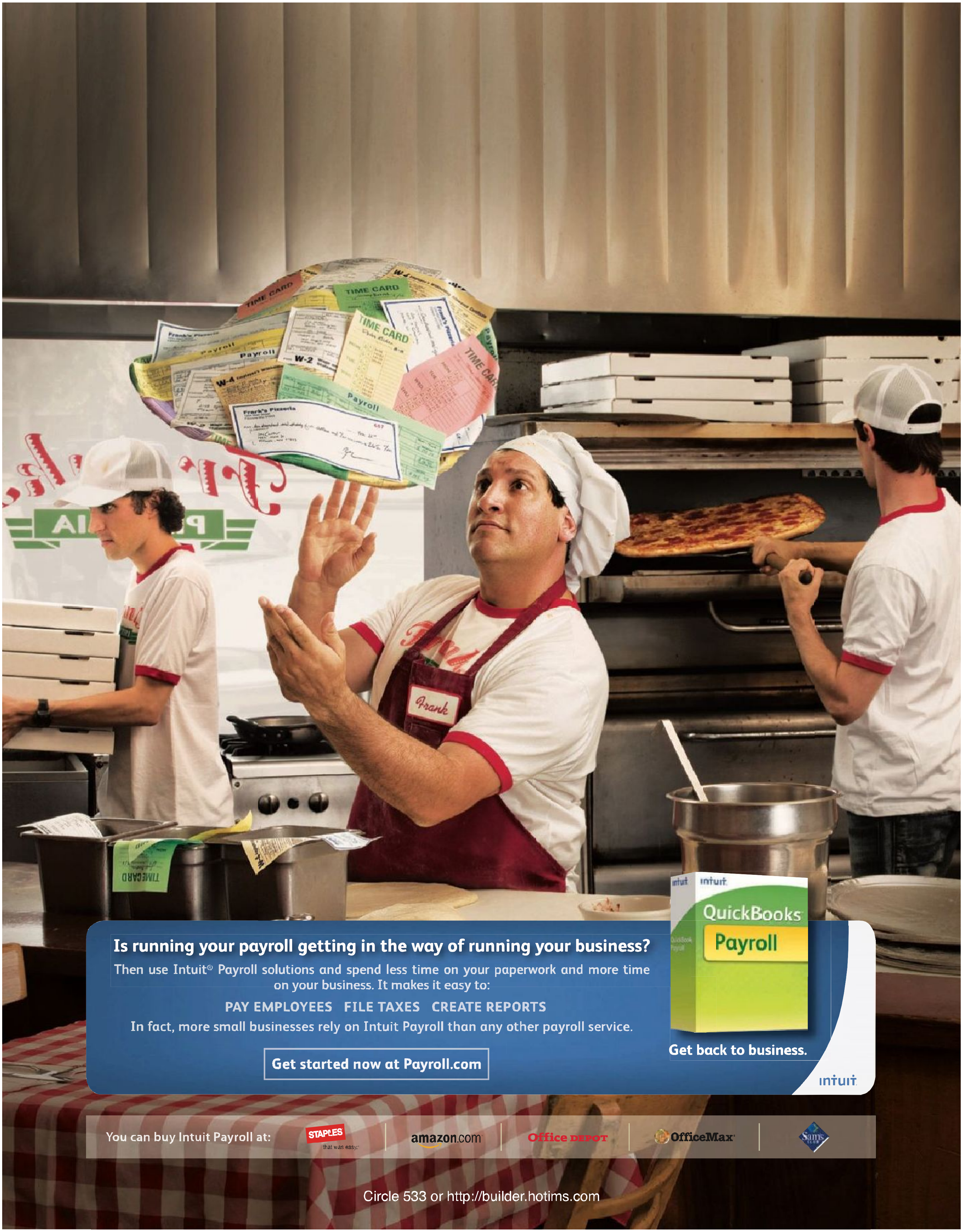
This portable home power backup system also provides automatic transfer of power during outages. Combining a generator, a smart transfer switch, and battery backup, the HP2S line installs on a home's pre-selected emergency system (lights or appliances), and the switch automatically transfers power to that system. It's available in four versions. ■ **Cost: $4,500 to $5,000. Honda Power Equipment. 800-426-7701. www.honda.com. Circle no. 107.**

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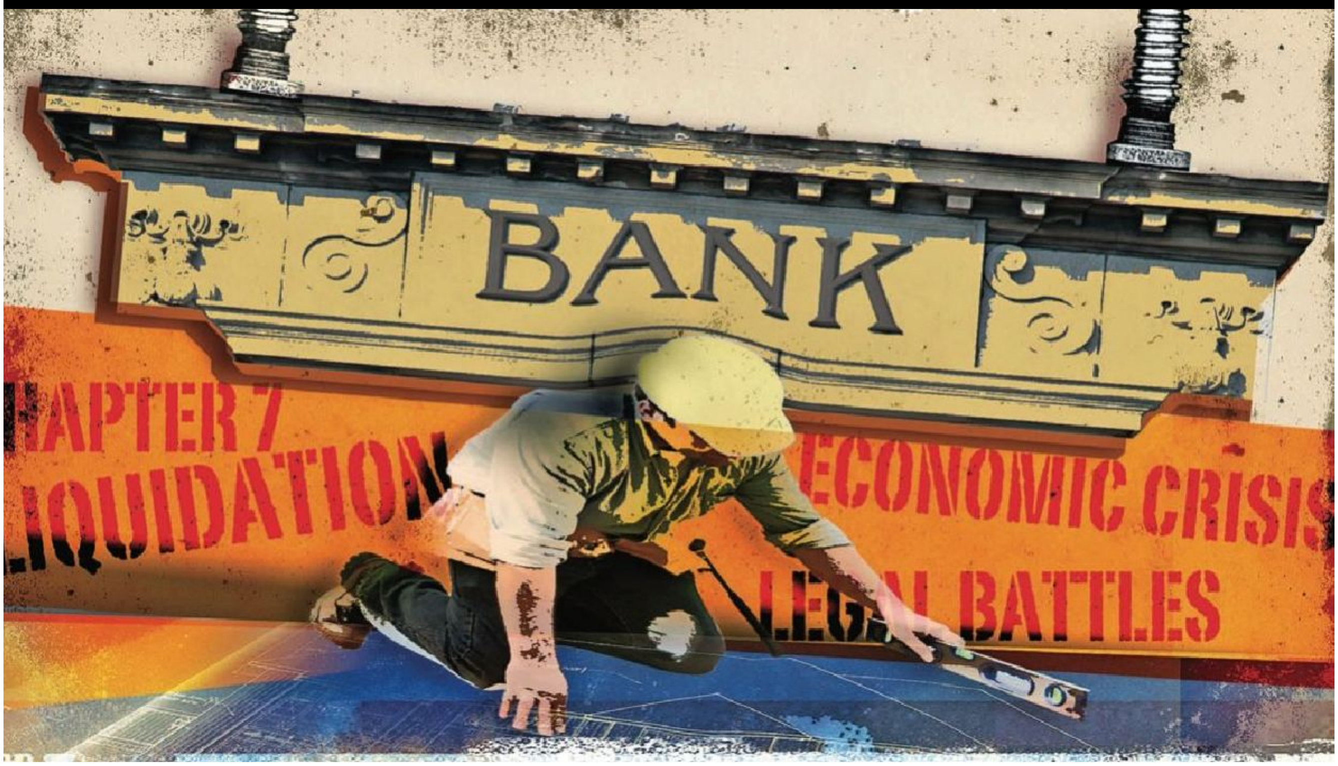

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BUSINESS UPDATE

Inside:

FINANCIAL MANAGEMENT & OPERATIONAL STRATEGIES ■ EDITED BY ETHAN BUTTERFIELD



ROY SCOTT

THE BUSINESS OF CREDIT

Calling the Shots

Strapped for cash, banks put the squeeze on builders.

Untangling business partnerships with banks is a messy, expensive, and painful process, as Thomas Dobron, CEO of Innovative Communities, knows all too well.

Dobron liquidated his first home building company, Sunland Communities, in the wake of the 1990s California real estate bust and is now preparing himself to shut down Escondido, Calif.–based Innovative Communities.

"The future for Innovative Communities is very bleak," Dobron says. "It won't even go to Chapter 11; it'll probably go straight to Chapter 7, to liquidation."

Once a diversified builder and land developer doing business in California, Arizona, and Nevada, Innovative recently laid off all but one member of its staff of 86 employees and is currently just treading water. The company is no longer building in any of its 15 projects, leaving neighborhoods half-built after banks shut off its access to credit.

Dobron would like to come back with a new home building company during a future housing rebound, as he did after Sunland failed in the 1990s, but times have changed, he says. Whereas banks were still lending money in the early '90s, they either don't want to or can't make new construction loans in the face of the current economic crisis.

In dire straits themselves, some banks are forcing builders into bankruptcy and taking possession of the companies' assets in order to protect the banks' investments and their own solvency. If a company's principals signed *(see page 36)*

personal guarantees, the banks can go, and in some cases are going, after builders' assets and properties.

"I love the concept of the American Dream," says Dobron, who started working for builders after graduating from college more than 30 years ago. "But today, the American Dream has turned into the American Nightmare."

During housing downturns, the home building industry tends to lose about 20 percent of its membership. But this recession is far worse, causing some analysts to project that 50 percent or more of home builders could either sell their assets and close their doors or file for bankruptcy.

"There will be many more than in any previous downturn," says Tony Avila, senior adviser to Americrest Homes of Boca Raton, Fla., a new home building company with private equity backing. "My guess is half of the BUILDER 100 will go bankrupt, be merged away, or shut down."

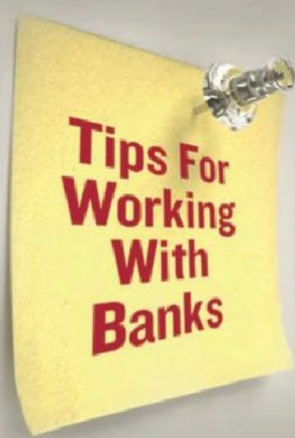
Banks remain under pressure despite the U.S. Treasury's $700 billion bailout of financial institutions, because so many of the loans they made in the past few years, both to home buyers and to builders and developers, are now worth

"I love the concept of the American Dream. But today, the American Dream has turned into the American Nightmare."—Thomas Dobron

far more than the assets they back. Banks also bought mortgage-backed securities, assets that have been and continue to be devalued.

Banks are required to maintain certain levels of capital to back the loans they've made. With their loans underwater, their capital ratio requirements are going to fall below levels required by the FDIC, which could shut them down. *(see page 38)*

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Many builders are facing an uphill battle to stay in business amid plummeting land values and banks looking to protect their own investments by reappraising developments and asking for cash payments to make up lost equity. In such a world, with some banks coming after personal guarantees signed by builders to secure loans during the housing boom, home builders need all the help they can get.

Below is a list of tips from sources mentioned in this story, as well as Los Angeles attorney Saied Kashani. Kashani worked for banks during the 1990s housing recession in California and now represents builders. He has had some success fighting for builders' personal assets and has been retained by members of the Homebuilders' Coalition for Responsible Bank Behavior in San Diego.

- **SEEK OUT SPECIALIZED ATTORNEYS WITH LOCAL EXPERTISE.** This needs to be done before builders actually find themselves in trouble with their loans. A coordinated rescue effort can be launched if the plan is put together wisely; this includes outlining how a project can return to profitability and presenting it to the banks proactively. Once the builder starts leaning toward failure, banks will smell the blood in the water.
- **KNOW THE RULES.** In California, one of the nation's hotbeds of builder bankruptcies, banks can go only after assets held in the state, or held by a bank that has branches in California, Kashani says. If a California builder still has some cash in a bank account, there is no need to keep it in a California bank or in the same bank that gave the builder its loans. It may be wise to keep money in a number of different banks.
- **KEEP IN MIND THAT BANKS ARE OBLIGATED TO MINIMIZE DAMAGES.** Builders should present banks with an alternative to selling properties at auction, such as selling the assets to a third party. If a builder can demonstrate that will mean a greater return for the bank, it may be amenable to such a deal. Nothing precludes builders from being part of that third party. If a bank declines the offer, the financial details of that offer could be used against the bank in foreclosure court.
- **PLAY DEFENSE.** Sure, you could just bemoan the state of the economy, blame the media for scaring away would-be buyers, and let your banks take all your assets. Or, you could hire a team of specialist attorneys and fight them tooth and nail. Insist on being allowed to build out a project to pay a bank back rather than handing them the property. Take as much time in responding to them as you reasonably can. The harder a builder works to stay involved, the better the chances that the builder retains its assets and property and that the bank moves on and focuses on something else.
- **DON'T TIP YOUR HAND.** When a bank requests financial information, give it only what is requested and nothing more. Some builders who presented banks with their entire personal and business portfolios in an effort to be open and honest with the banks later regretted it. It is not necessary to disclose information that is not relevant to the case at hand.
- **PROTECT YOURSELF WITH A MORTGAGE.** A loan guarantor in California may not have to give the bank his own home if it has a mortgage on it. If a guarantor owns a home outright and signed personal guarantees to get bank loans, the bank may be able to take the house.
- **REMEMBER, BANKS MAKE MISTAKES TOO.** If a builder or its attorney finds an error, it can be used in court against the bank. Was an appraisal initially inflated by a bank appraiser? Do the loan documents contain erroneous language? Did the bank appoint a receiver to the loan who has a bond amount less than the loan value? Perhaps the bank violated the loan agreement by loaning more than stipulated in the loan documents and never adjusted the wording? Any small bank error can be used to give the builder more time to work out its problems or as a bargaining chip in a settlement. —*E.B.*

HAVE BUSINESS TIPS OR STRATEGIES TO SHARE?

E-MAIL DENISE DERSIN AT: **ddersin@hanleywood.com**

Housing analysts estimate that many of the 8,500 banks in the U.S. would be insolvent if forced to mark their assets down to current market values.

"There's a big percent, 10 percent to 15 percent, that would be insolvent," says Ivy Zelman, CEO of Zelman & Associates research firm in Cleveland.

The state of the economy has everyone, but banks in particular, scrambling for cash. With land values declining so rapidly, banks would rather not take back those assets, but will if a builder stops paying on them. Even a devalued asset is better than nothing.

"They prefer not to take the collateral in almost all cases," Zelman says. "Where they are taking it, they think it's hopeless at this point." But, Zelman continues, "if they think the builder can finish out the project and that would mitigate their loss, they're willing to do that."

Banks would rather have cash, says Jim Weigel, a former bank loan officer and now a building products executive and bank work-out specialist and senior consultant with Shinn Consulting of Littleton, Colo.

"If [banks] think the builder can finish out the project and that would mitigate their loss, they're willing to do that."—Ivy Zelman

"Those builders who were successful, who built a good pile of cash and other net worth, there's a good chance that if the banks can go after it, that's where they will go first," Weigel says.

While private equity may be builders' main source of financing for the foreseeable future, it, too, has its problems.

As land and home prices plummeted in 2007, Dobron lined up a well-heeled private equity partner to help buy Innovative's debt and land from its banks. Then, the deal fell apart when the prospective partner went belly-up, leading to the near-certain demise of Innovative.

"Who would've ever thought that Lehman Brothers would not be around today, for crying out loud?" Dobron says. "It is unbelievable."—*E.B.*

ECONOMIC CONDITIONS

Global Meltdown

Experts say that the world's financial storm will continue for some time to come.

Builders have been cutting starts since early 2006 in the hope that by ratcheting down, they can help the housing industry burn through record levels of unsold inventory and lead home building out of its years-long funk.

At the onset of the housing recession in 2006, builders heard industry and economic experts talk about the likelihood of a soft landing and the need for builders to pull back on construction to help the cause. About every six months since, the experts have adjusted their forecasts to tell builders to hold on another few months and sales would bounce back.

But the home building industry doesn't exist in a vacuum, and builders alone can't fix an ever-expanding problem that started with housing in the United States and now encompasses the global economy at large.



This fall, a new round of predictions forecast that the housing recession will hit bottom sometime in early 2009, with new-home sales and starts rebounding later in the year. Once again, these predictions may be ignoring the greater economic context.

The global financial system, particularly banks, will take years to rebound from the catastrophic losses they've suffered thanks to the devaluation of mortgage-backed security holdings and falling land values. And as long as worldwide investment declines curtail the amount of available credit, financing will continue to be in short supply for American home builders.

Moreover, the lack of money isn't going to be a short-term phenomenon, says Christian Weller, a senior fellow at the Center for American Progress and a professor at the University of Massachusetts, Boston. Consumers, businesses, and banks all became overleveraged during the first part of the decade and there is no quick-fix solution for that.

"It took us seven years to build up all of this debt, so one or two bad years, where we see big foreclosures, big price drops, and sharp rises in credit card defaults, simply won't be enough" to turn it around, Weller says.

Ever optimistic, many builders insist that once consumers regain confidence in the future direction of house prices, their pent-up demand for new homes will be unleashed, and sales will follow.

And it is true that interest rates remain near historically low levels, and the government is pumping money into banks to allow them to make mortgage loans. So banks should be able to offer mortgages to more would-be buyers than they could a few months ago, setting up conditions to restore demand for homes.

But demand has dwindled as unemployment numbers have grown and more people fear losing their jobs. Weller doesn't see job loss slowing down, either, since global problems are driving down U.S. export growth.

The bottom line? Builders need to look beyond the horizon of their own markets and realize the financial storm clouds may not abate any time soon.—*E.B.*


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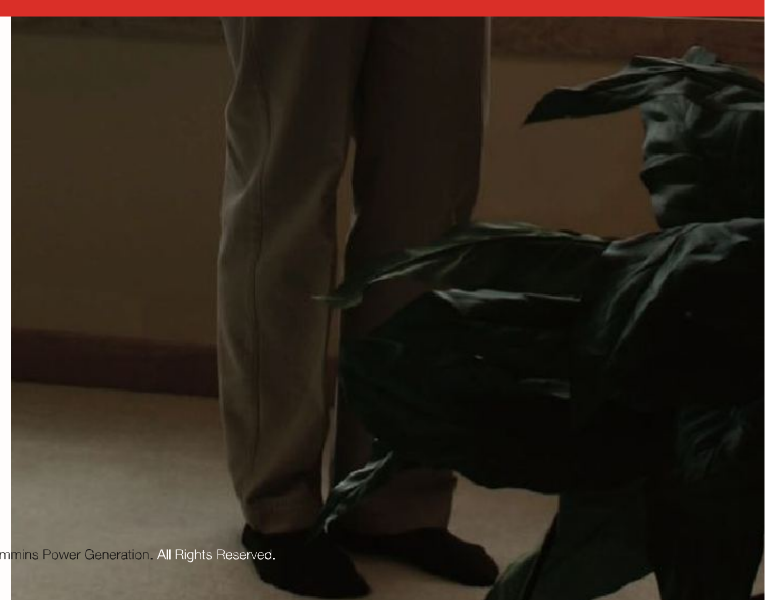
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SALES STRATEGIES

TIPS AND TACTICS FOR SALES SUCCESS ■ EDITED BY RICH BINSACCA

SALES ADVICE

Sharpen Your Strategies

Industry guru Al Trellis offers a few tips for weathering housing's current market conditions.

IT'S BEEN WELL OVER A YEAR SINCE THE HOUSING BUBBLE BURST, and most builders are still struggling to adjust. "People forget that it's a multifaceted issue," says Al Trellis of Home Builders Network (www.hbnnet.com), itself a multifaceted industry consultancy in Mount Airy, Md. "They want a quick answer or solution, and it just doesn't exist."

Trellis tours the country speaking, advising, and (hopefully) energizing builders to respond more aggressively to adverse market conditions, reduce obvious risks within their operation, alter their sales compensation packages, and look for ways to balance costs with the highest-value designs and products. "Doing nothing means you aren't accomplishing anything," he says. Consider the following summary of his advice:

VARY COMPENSATION. Trellis advocates a bolder approach for in-house associates by offering a base salary, such as $30,000 a year, with a variable commission structure and incentives based on exceeding sales targets. "They'll make more money on the last house than on the first house, encouraging them to sell more effectively," he says.

Another strategy is to offer a higher salary with no commission until the sales agent reaches 80 percent of his or her sales target and only provide a commission on the last 20 percent of sales. When they go over 100 percent of their target, says Trellis, reward them with an increasingly higher commission per sale.

ALTER YOUR PRODUCT. Trellis is a big fan of making smart design alterations to suit a more discerning market of buyers, which will, in turn, provide a fresh look, invigorate the sales staff, and fend off criticism from past purchasers. "Previous buyers can't complain when you cut the price of a new home because it's not the same house you sold them," he says.

Part of a comprehensive analysis of a plan's size, features, value, benefits, and price is finding what Trellis calls a "fatal flaw" in your current plans and fixing it—and then renaming the plan. He also advocates incorporating special spaces (think wine cellars and craft rooms) that few, if any, of your competitors offer at the same price point, and providing multiple storage options for a buying public that increasingly has more stuff to bring to a new house.

DETERMINE FLASH VALUE. Trellis advocates taking a hard look at new-home features with highest (to lowest) perceived value and market distinction and determining which ones have the biggest bang for the buck—their flash value.

That analysis starts with knowing your base costs to build a standard house and honing that down as far as possible. It's then up to you to determine the cost–price ratio of each hot button item. The higher the ratio of the price you can charge divided by what it costs to provide, the better its flash value. Then, says Trellis, work with your suppliers and subs to gain discounts for volume purchases to help reduce costs even further—which may allow you to add another item to the mix.

ACHIEVE SUSTAINED VALUE. Eventually, special spaces and flash-valued hot buttons are bound to be copied *(see page 42)*



by the competition, especially if your sales pace picks up. Before those knock-offs appear, says Trellis, you should already be ready to launch the next wave of innovative thinking into the market.

An even greater sustainability tactic is to create a culture that is not only distinctive in the market, but also more difficult to replicate. Being loyal to the customer, the craft, and the company, Trellis says, as well as streamlining the sales and mortgage loan processes and delivering consistently great customer service, is far more sustainable for long-term success than a limited-offer discount or giveaway deal—no matter the market conditions.—*R.B.*

Be Aggressive

More than half of your sales force lacks the personality to sell successfully in current market conditions, according to "Separating the Best From the Rest," a white paper based on a series of nationwide studies involving 3,000 housing industry professionals issued by Atlanta-based consultancy Berke Group. The results point to a pair of core personality traits that top sales performers generally have in common: sociability and assertiveness—and knowing how to strike the proper balance for each trait to attract and keep but not sour a sale. Top performers are also very systematic and are able to quickly summon solutions that address buyer needs and concerns.

The white paper also offers tips for finding these nuggets amid the rock pile, including avoiding manager bias (hiring people with similar personalities and problem-solving tactics as the boss), creating clear job descriptions and performance targets, conducting periodic assessments, and using structured interview techniques to identify desired behavioral traits. Download the white paper for free at www.berkegroup.com.—*R.B.*



INTERNATIONAL SALES

British Invasion

UK natives leverage a weak dollar to buy homes here.

Better brush up on your British accent, put on some tea, and start following Manchester United. According to NAHB International (www.nahb.org/international), British citizens are taking advantage of a weak U.S. dollar, falling home prices in desirable markets, and comparably low closing costs to purchase housing here as either second homes, buy-to-rent properties, or investments. Interest in U.S. real estate by British buyers, as indicated by Internet searches for available properties, has grown 50 percent to a monthly average of 190,000 searches, according to Rightmove Overseas (www.rightmove.co.uk), a U.K.-based real estate portal. As of October, the company's Web site listed nearly 2,500 properties in the States, with more than half of those in Florida, primarily in the Orlando market. The heightened interest and activity (and sales) have made the U.S. the third most popular country for Britons buying international real estate, behind France and Spain.—*R.B.*



MARKETING

Pooling Resources

Builders in healthy housing markets work together to get the word out.

Not every housing market is sinking. In fact, there are several pockets where sales, prices, and production remain relatively steady. The problem is that local media, particularly newspapers, rely on nationally syndicated reports about housing, which can paint a less than rosy picture of the market, perhaps souring potential buyers.

Builders in Connecticut and Madison County, Ala., respectively, decided to go on the offensive to get their success stories in the local media and counter coverage of the national scene. The state HBA of Connecticut, for instance, shares various industry and related statistics, forecasts, and indicators with its local chapter EOs (executive officers) and other staff to create a uniformly informed front for the media and members. Reps from the state chapters also maintain regular contact with reporters and editors, offering members as sources for articles and providing state and local statistics to weave into syndicated stories. The Fairfield County (Conn.) chapter also hosted a panel discussion about local media coverage that attracted reporters and members—and resulted in an article about the relative health of their market.

In Alabama, meanwhile, builders and brokers pooled their financial resources to launch a Web site and concurrent advertising and public relations campaign under the banner, "Every market is different … . Ours is healthy!" Kicked off in mid-April to coincide with an annual tour of homes (where visitors received a flyer promoting the top 10 reasons to buy now), the effort included a press conference at which HBA executives presented local housing trends and statistics, which at the time indicated that sales were at 98 percent of list prices with a 7.8 percent increase in property values.—*R.B.*

UPlink //: FOR MORE SALES AND MARKETING STORIES, VISIT WWW.BUILDERONLINE.COM/SALES.

GOT A SALES TIP?
E-MAIL PAT CURRY AT:
pcurry@hanleywood.com

Dear Home Building Professional,

In the normal course of doing business, we talk with many homebuilders and trade professionals on a daily basis. But because business these days remains so far from normal, we're also listening to firsthand accounts of extraordinary challenges and painful decisions.

Understandably, we're all—homebuilders and manufacturers alike—intent on finding the means to manage through the crisis in day-to-day mode. And realistically, we should remain so.

But perhaps what's also needed is a shift in the conversation and a broadening of perspective: while still keeping an eye on the present challenges, we need to begin championing ideas that can transform the industry.

Innovation is the way forward. Not just innovation in the standard sense. But innovation with an intense focus on creating something completely novel, different and highly desirable by consumers.

Such things are not without precedent. Take an example from technology: the i-revolution of Apple.® Even in a down economy, the demand for iPod® and iPhone® devices (and all of the music, applications and accessories to go with them) is phenomenal.[1] With this generation of devices, Apple virtually created a need people previously didn't know they even had.

It's little wonder, then, why Apple consistently tops the *BusinessWeek* list of innovative companies, idealizing the publication's definition of innovation: "Today, innovation is about much more than new products. It is about reinventing business processes and building entirely new markets that meet untapped customer needs... it's about selecting and executing the right ideas and bringing them to market in record time."[2]

This definition of innovation has the outlook that's needed in our industry. By identifying and imagining completely new innovations to add to our homes, we can give consumers fresh reasons to purchase.

The embrace of greener, more sustainable homes is certainly one very promising area of leadership. Building practices and products that save energy, conserve water and support indoor air quality help satisfy homebuyers' practical needs to save money. These efforts also connect to a desire to live in ways that are healthy for future generations.

Ultimately, the way forward will include sustainability, but let's not stop there. The way forward will be found as everyone steps up, innovatively, to all the challenges at hand. If we combine our efforts with greater creativity—focused on consumer needs—we can drive change from within the industry, rather than waiting for the market to bring it.

If you'd like to discuss how we can innovate together on behalf of consumers, please contact me directly. I'd love to begin the conversation with you.



Sincerely,

Tom Halford,
General Manager
Contract Sales and Marketing
thomas_e_halford@whirlpool.com

Circle 583 or http://builder.hotims.com

[1] Apple®, iPod® and iPhone® are registered trademarks of Apple, Inc.
[2] *BusinessWeek*, April 24, 2006


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And take advantage of huge tax savings opportunities with the Economic Stimulus Act,** which increases the depreciation provision for new truck purchases in 2008 from 30% up to 50%. For more information on tax savings and Commercial Truck Season, visit commtruck.ford.com.
Hurry, savings end January 5.
*Available on upfits costing $1,200 or more. Take delivery from dealer stock by 1/5/09. See dealer for complete details. **For more information about the U.S. Economic Stimulus Act, Section 179 expense write-off or the Modified Accelerated Cost Recovery System (MACRS), contact your tax professional or visit the Internal Revenue Service Web site at www.irs.gov. Please note this information is provided by Ford Motor Company as a public service to its customers. It should not be construed as tax advice or as a promise of potential tax savings or reduced tax liability.
Circle 345 or http://builder.hotims.com

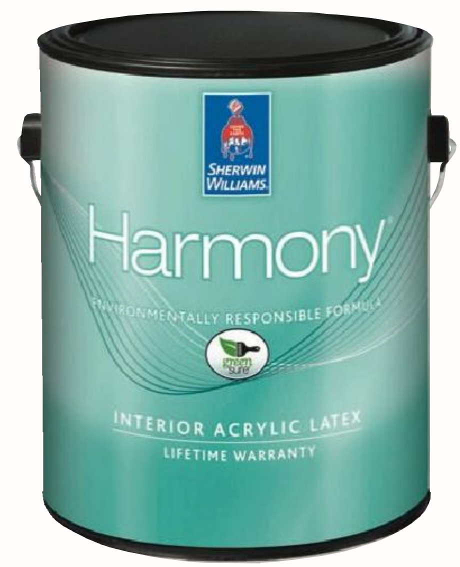
PRODUCTS

PRODUCTS AND TOOLS EVERY BUILDER SHOULD KNOW ABOUT ■ EDITED BY NIGEL F. MAYNARD



AIR OUT: A SmartSense Ventilation System will create integrated moisture management using the company's Ultra Silent fans installed throughout the house. The system monitors manual usage of the fans and automatically activates when there is a need. The Energy Star–rated fans use less than 35 watts during ventilation cycles and operate at 0.3 and 0.7 sones. ■ **Broan-NuTone. 800-558-1711. www.broan.com. Circle no. 108.**

PAINT CAN: Harmony latex paint contains zero volatile organic compounds and produces little to no odor. The environmentally friendly product offers long-term durability and anti-microbial properties to inhibit the growth of mildew. It comes in primer, flat, and semigloss options. ■ **The Sherwin-Williams Co. 216-566-2000. www.sherwin-williams.com. Circle no. 109.**



Green Room

The right products keep the Builder LivingHome glowing green.

When the International Builders' Show opens next month, a demonstration house on the show floor of the Las Vegas Convention Center will give attendees a glimpse of what the future of home building could look like—one in which houses are built in a factory and assembled on site in mere days as opposed to months or years.

The house in question will be Builder's LivingHome show home, a 2,000-square-foot contemporary house that was, in fact, built in a Southern California factory, transported to Las Vegas, and assembled on the show floor. Though the home will be a radical departure from what most builders are accustomed to, it will provide an intriguing case study of a process that takes advantage of the automation and assembly-line process of manufacturing.

Because the home was built in a factory, it is tighter, stronger, and more uniform than homes built on site. Controlled factory conditions mean components were never exposed to rain, and walls and floors will be truly plumb, level, and square. It also means the process of building generated less waste than conventional construction.

The products in the home are an important part of the green equation. Products were picked for their ability to maintain clean indoor air, conserve water, and save energy.

For example, an automatic ventilation system from Broan will monitor moisture levels in the bathrooms and activate automatically when needed; a Beam central vacuum system will allow residents to clean up while keeping airborne dust to a minimum; and HVAC mini-duct air distribution and ventilation systems from Goodman and Hi-Velocity Systems will keep the indoor air fresh.

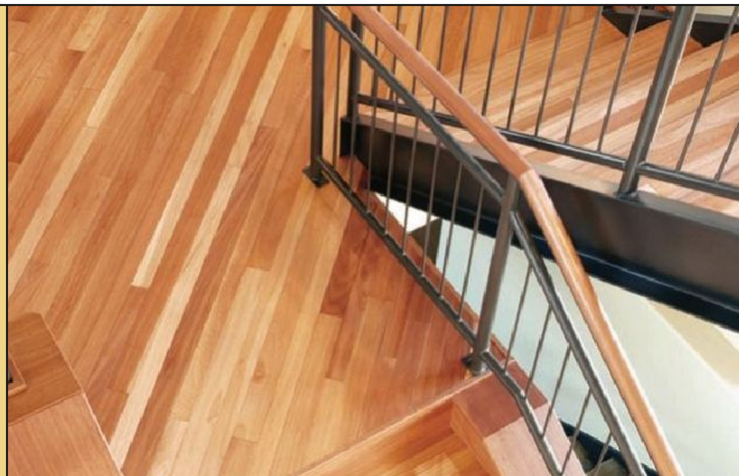
Energy Star appliances such as the Whirlpool Duet laundry pair with steam will save energy, while a variety of ultra-low-flow and dual-flush toilets from Kohler will save water.

Turn the page for a look at some of the home's other sustainable products that can help you green your houses. *(see page 46)*

UPlink // FOR MORE PRODUCT INFORMATION, VISIT EBUILD, HANLEY WOOD'S INTERACTIVE PRODUCT CATALOG, AT WWW.BUILDERONLINE.COM/PRODUCTS OR EBUILD.COM.

PRODUCTS

WATCH YOUR GLASS: Echo recycled glass tiles will grace the home's bathrooms and kitchen backsplash. The cast, translucent glass tiles are textured on the front and back and contain a recycled content of 10 percent to 100 percent (depending on the color). They're available in 15 colors—including white, black, red, and soft pastels—three finishes, and five sizes. ■ **Crossville Inc. 800-221-9093. www.crossvilleinc.com. Circle no. 110.**



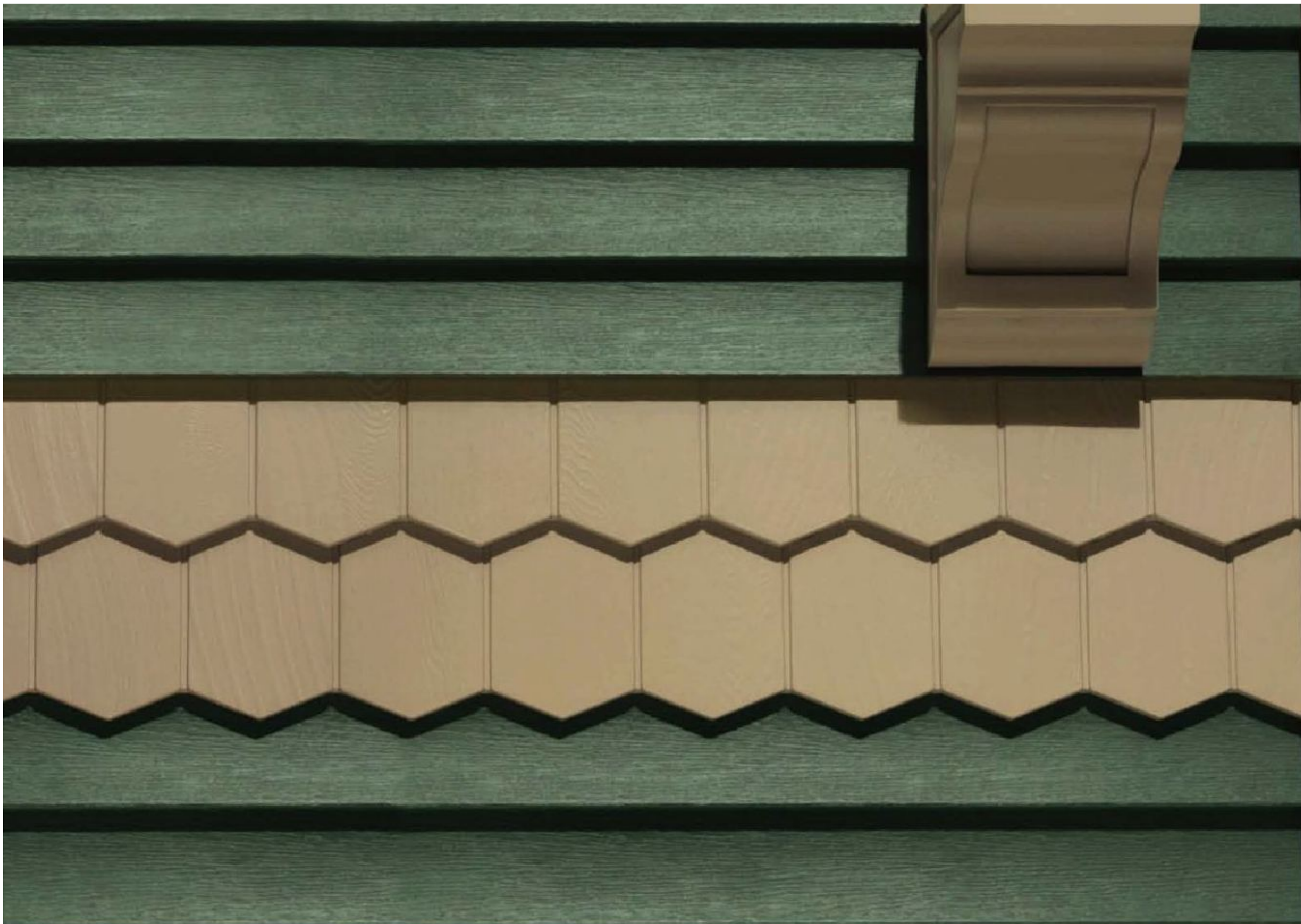
GRAIN GAME: Lyptus engineered and solid wood flooring is made from fast-growing eucalyptus trees on managed plantations. The single-strip engineered flooring comes in 3 1/4-inch and 5-inch widths and can be stapled, glued, or floated. Harder than oak, the solid wood flooring measures 3/4 inch thick and measures 2 1/4 inches, 3 inches, or 4 inches wide. ■ **Lyptus by Weyerhaeuser Co. 800-320-9720. www.lyptus.com. Circle no. 111.**

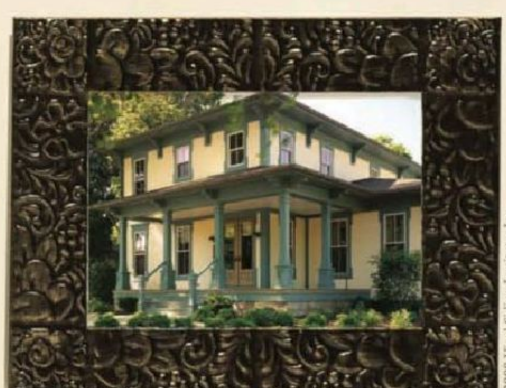




GRAND OPENINGS: The manufacturer's new 100 Series windows feature 43 percent pre-consumer recycled content. The windows are made from Fibrex, a structural composite of recycled sawdust and polymer, and are outfitted with SmartSun glazing that prevents unwanted heat gain. Four exterior colors are available. ■ **Andersen Windows and Doors. 800-426-4261. www.andersenwindows.com. Circle no. 112.** *(see page 48)*

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PRODUCTS



FLUSHED AWAY: The manufacturer's list of water-saving toilets in the home includes the Saile dual-flush, the San Raphael Pressure Lite 1-gallon-per-flush, and the Persuade dual-flush (shown). Persuade allows users to select a traditional 1.6 gallons or 0.8 gallons. The WaterSense-certified product has a two-piece design with a skirted bowl for a clean look. ■ **Kohler. 800-456-4537. www.kohler.com. Circle no. 113.**



CLEAN AND FREE: A central vacuum system will help the house maintain a dust-free environment. Consisting of a Serenity IQS power unit and Q Power Team hose, handle, electric power brush, and cleaning tools, the system will allow users to remove dirt and allergens from the living area and deposit the collected items in a central canister. An LCD screen indicates how efficiently the system is performing. ■ **Beam. 800-369-2326. www.beam.com. Circle no. 116.**

CLAD TIDINGS: Environmentally responsible biocomposite EcoClad is made from 50 percent bamboo and 50 percent post-consumer recycled paper, bonded with a water-based resin. Free of volatile organic compounds, the cladding is strong and highly resistant to weathering. Panels measure 48 inches by 96 inches and come in 10 wood grains and eight stock colors. ■ **Klip BioTechnologies. 253-507-4622. www.kliptech.com. Circle no. 114.**



WASH AND WEAR: The Energy Star–rated Duet Steam laundry pair helps keep utility costs low. A steam feature helps the washer handle tough stains without pre-treating and allows the dryer to get rid of wrinkles and odors. The washer saves up to 73 percent of the water and 77 percent of the energy used by conventional washers manufactured before 2004. The pair comes in three colors. ■ **Whirlpool Corp. 800-253-3977. www.insideadvantage.com. Circle no. 115.**



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UPS Next Day Air®
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Published rate = $99.46
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Published rate = $56.86
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DIGITALHOME

SMART TECHNOLOGY FOR NEW HOMES ■ EDITED BY DAN DALEY

Dig Deep

Manhattan is the newest frontier in the geothermal movement.

Geothermal heating and cooling have been associated with geologically active locations of the world. So it's surprising to discover that this eco-friendly approach to indoor environmental conditioning is also taking root in geologically stable New York City. More than 100 permits for geothermal wells have been filed with the city's Department of Environmental Conservation in the past eight years, and 35 such wells are in operation in Manhattan. Using geothermal heating and cooling systems lowers utility bills by as much as 70 percent versus conventional HVAC systems, according to trade group Geothermal Heat Pump Consortium (GHPC).

In Manhattan's bedrock, geothermal activity begins to become evident at about 1,100 to 1,400 feet, where the temperature holds steady at about 52 degrees F.

As a rule of thumb, the average geothermal system costs about twice as much to install as a conventional heating and air conditioning system, according to John Kelly, executive director of the GHPC. Not surprisingly, they're considerably more expensive to install in dense urban areas such as New York, where one installation in a condominium reportedly cost $150,000 more than a conventional HVAC system would have. While the hardware and technology costs are roughly on par with those of conventional systems, the cost of drilling is usually what doubles the price. However, geothermal systems typically have lower life-cycle costs than any other heating/cooling system, conventional or otherwise, thanks to the simplicity of their design. Geothermal heating and cooling costs for a typical 2,000-square-foot home can run as low as $1 a day.

Kelly says that more than one million geothermal HVAC systems have been shipped in the U.S. since 1994, with half of them intended for residential construction. The federal government's Energy Information Administration reported 63,682 geothermal heat pumps shipped in 2006 (the most recent year for which data are available), a 33 percent increase over the 2005 total of 47,830. "When the housing market returns, you'll see geothermal posting bigger numbers than ever, because the memories of heating oil and electricity costs of the past few years will remain quite vivid in the minds of consumers," he says.

Out of Sight

Oklahoma builder takes tech in stride in home designs.

North Oklahoma City builder Jeff Click's most recent show home has all of the technological turbines, such as media servers and AV power amps, placed subtly, hidden in technology closets and connected to media ports such as the home theater and automation system. Five LG plasma televisions throughout the home are black box–free, with cable boxes and other hardware out of sight. Speakers are flush-mounted.

The house has complete home automation, lighting and climate control, a six-camera security system tied into the network and available on every video screen in the house, and an automated irrigation system also on the home's grid. What the home doesn't have is a custom price tag: It's priced at $250,000 including the technology, not far above the city's average home price of $173,585, according to the U.S. Census Bureau, and well below what such a technology complement would have cost a few years ago.

Click doesn't have the typical builder background; his degree is in telecommunications and he's a self-described geek. But he's an evangelist for integrating this generation of affordable home technology into new construction as a matter of course. "It's inexpensive, does a lot, and once it's programmed, it doesn't need any maintenance to operate," he says of the HAI Omni Pro system he used recently. Click is now using the Apple TV box to host all the media in the home and make pictures of his other properties available for visitors to see. Taking Apple as a marketing tool one step further, he recently launched an iPhone version of his Web site that not only shows images of the homes but also links to Google Maps to guide prospective buyers there.

Click gets more than his share of tech-savvy prospects; it's a way of staking out and mining a specific market niche. "Technology's a great differentiator," he says. **B**

Sound Saver

The LCR speaker array goes stealth with Artison's in-wall system, soffited versions of the company's Masterpiece, Portrait, and Sketch attachable LCRs. In-walls let builders include more speaker in less space. Artison's DualMono Center Channel technology integrates the center channels into the upper portion of both the right and left speaker housing, producing an identically matched monaural sound.



Music Mania

Sonos' new Sonos Bundle 150 (BU150) wireless multiroom music system includes two Sonos ZonePlayers: a ZonePlayer ZP90, which can be connected to an existing stereo or home theater, and a Sonos ZonePlayer ZP120, which has a powerful audiophile-quality amplifier that can be connected to speakers and placed in any room. Adding additional ZonePlayers and controllers can expand the system. The new bundle retails for $999.

DO YOU HAVE A TECH STORY?

E-MAIL DENISE DERSIN AT: **ddersin@hanleywood.com**

NATIONAL BEAT

NEWS FROM HOUSING'S GROUND ZERO ■ EDITED BY CLAIRE KOLTKO

NAHB BRIEFS

New Face

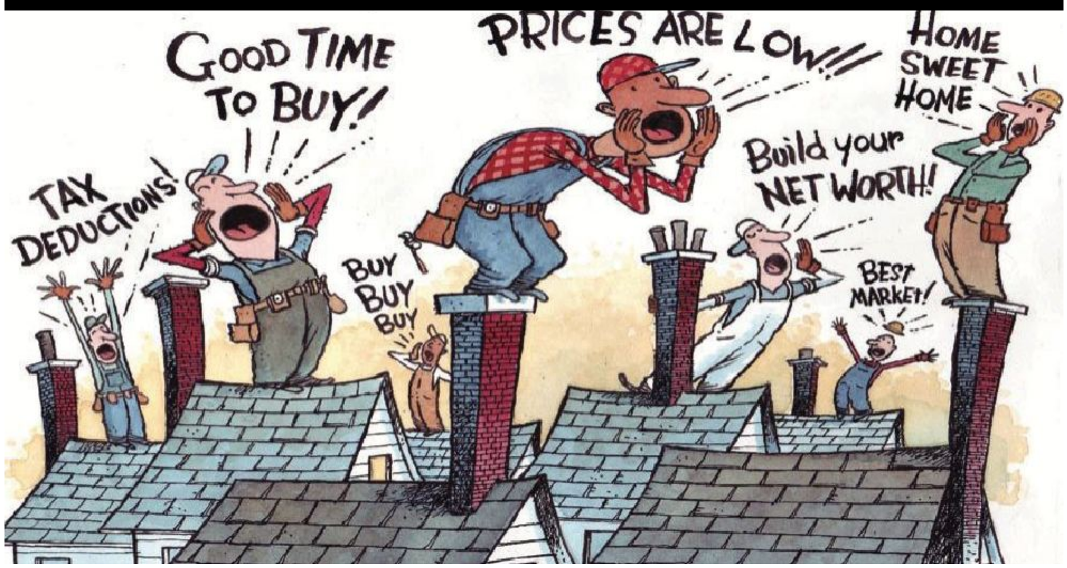
David Crowe, who has been the NAHB's senior staff vice president for regulatory and housing policy since 2002, has been named the association's chief



economist, effective last month. He replaces David Seiders, who recently announced his retirement after serving at the NAHB for more than 20 years. Crowe, who has held several senior-level positions in economics, housing policy, and housing finance at the NAHB, holds a doctorate in economics from the University of Kentucky.

Big Wins

The historic elections on Nov. 4 brought home significant election wins for the building industry. To build support for housing on Capitol Hill, the nation's home builders launched a targeted voter mobilization campaign in five Senate races and 28 competitive House districts. The effort resulted in wins for 26 of the 33 candidates the NAHB supported. In local grassroots efforts, NAHB members ▸



DAVE CLARK

FROM THE CHAIRMAN

The Right Reasons

It's time to remind potential buyers of the many benefits of homeownership.

WITH THE UNPRECEDENTED POUNDING the housing market has taken this year, it's easy to lose sight of the important fundamentals about housing and homeownership that we should be sharing with the public and potential home buyers.

Most important: It's a darn good time to buy a home. In fact, this is probably the best buyer's market the nation will ever see, and it provides an extraordinary window of opportunity for home buyers.

One reason it's a good time to buy is that mortgage interest rates are still at near-record lows. Where interest rates are concerned, I think we need to remind people that interest rates change and that even a 1 percent increase can add significantly to a monthly payment.



SANDY DUNN
CHAIRMAN OF THE BOARD, NAHB
WASHINGTON, D.C.

Another reason it's a good time to buy is that inventory of new and existing homes is excellent, and buyers will find they have many choices. Also, owners of existing homes who are looking to trade up or relocate are ready to bargain.

If there's a silver lining to the housing downturn, it's that homes are more affordable. Prices have moderated significantly in many areas, especially in the super-hot major markets where they increased the most during the boom that *(see page 54)*

recently occurred in many parts of the country.

With high energy costs and the need to conserve resources, it's also important to remind prospective buyers that new homes today are more energy- and resource-efficient than ever before. Through the use of new materials and construction techniques, today's homes are built to be twice as energy-efficient as new homes a generation ago.

BENEFITS OF HOMEOWNERSHIP

It's also important to remind people about the unique tax benefits that apply only to housing and help lower the cost of homeownership. We all know that both mortgage interest and property taxes are deductible, but the amounts that buyers save can be a real eye-opener. According to NAHB calculations, a homeowner with an income of $100,000 ($74,195 taxable income) who is in the 25 percent tax bracket will see tax savings of $26,532 during the first five years of homeownership given a 30-year, fixed-rate mortgage for $300,000 at 6.52 percent interest. The same buyer would save $17,121 with a $200,000 mortgage on the same terms.

Equally important, profits of up to $500,000 on the sale of a principal residence (or $250,000 for a single owner) are excluded from capital gains taxes.

Leveraging is another advantage of homeownership. Buyers can purchase a home and receive the benefits of homeownership with a cash down payment that is only a fraction of the total price. The buyer's return, however, is based on the property's total value. This makes the rate of return on a home purchase much greater than what it would be on another investment with the same value where the buyer would have to put up the entire purchase price.

BUILDING PERSONAL WEALTH

For most households, homeownership is a primary source of net worth and an important step in accumulating personal wealth and assuring financial security. Today, even though property values have declined in some markets, Americans have a total of $9 trillion in equity in their homes. For most Americans, home equity represents the largest share of their net worth.

NO PLACE LIKE HOME

Despite the positive financial aspects of homeownership, a home purchase cannot be valued in monetary terms only. Not only can homeownership be a stepping-stone to greater financial security, it also provides a permanent place to call home and great personal satisfaction. Academic research shows that homeownership results in a wide range of social benefits, and these benefits aren't limited to individual households: Homeownership strengthens communities and is truly a cornerstone of the American way of life. **B**

THE NAHB RESEARCH CENTER CORNER

Changing Course

The latest Soft Market Study shows builders shifting their emphasis to green construction.

As the downturn in the industry offers builders fewer home buyers, lower home prices, and a far more competitive industry environment, the NAHB Research Center has released its latest Soft Market Study. More than 300 U.S. home builders, surveyed in January 2008, indicated a shift in emphasis since the beginning of the downturn in 2006 to green home building and energy efficiency from relationships with suppliers and subcontractors.

Just under half indicated they were expending "much more effort" on selling homes, with less focus on managing subcontractors, constructing and designing homes, and improving supplier relationships in the past two years. Increasing home energy efficiency was selected as the highest-ranking change in builder offerings since the downturn.

Whereas 50 percent of builders reported that their pre-2006 programs and improvement efforts were primarily aimed at quality assurance and cutting costs, less than 20 percent of respondents said they planned major cost-cutting efforts and quality assurance programs soon. The survey found the greatest shift was to the emphasis on green home building, with some 30 percent saying they planned to have a green building program soon.

The downturn seems to have accelerated trends in new homes, with increases in the use of granite for kitchen and vanity countertops, in addition to an increase in the use of both nickel kitchen faucets and undermount kitchen sinks. The use of solid wood front doors; fiberglass patio, side, and back doors; hardwood floors; stone exteriors; and solid interior doors also made gains over the 2005–2007 period.

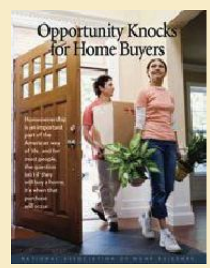
The changing industry picture offers opportunities, and builders and suppliers of building products who adapt to the new environment stand to gain the most when the industry rebounds.

NAHB BRIEFS

living in the targeted congressional districts volunteered for the candidates by putting up campaign signs, canvassing neighborhoods, and having the candidates speak at HBA meetings.

Positive Press

At a time when consumers are doing their research before making purchasing decisions, the NAHB has published a brochure for prospective home buyers explaining in depth why the current housing marketplace offers unprecedented opportunities. Despite the current cyclical downturn in the housing market, most households who have not purchased a home expect to do so sometime in the future, and "Opportunity Knocks for Home Buyers" provides detailed information on



why today's inventory, pricing, interest rates, and home features are especially favorable. The brochure also offers advice for prospective buyers who have been discouraged by this fall's financial turmoil. To download a copy of the brochure, visit www.nahb.org.

Help Wanted

The turmoil in financial markets is making the bad housing situation worse.

THE U.S. ECONOMY UNDOUBTEDLY IS IN RECESSION AT THIS time, and the economic contraction will deepen over the balance of this year and into 2009. We're now looking at an economic setback at least as serious as the episode of the early 1990s, and housing certainly is in the thick of things.

Both the housing sector and the overall economy were weakening considerably prior to the unprecedented degree of turmoil that erupted in national and global financial markets during October. But the October collapse of the stock market along with the breakdown in major components of the credit markets have put even more downward pressure on housing and the economy. Recent efforts by policymakers to right the situation in financial markets are enjoying only limited success at best.

These developments accentuate the urgent need for another round of economic stimulus from Congress and the administration. It's now unlikely that our central bank can stabilize the situation in reasonably short order on its own, despite repeated doses of monetary stimulus and a growing list of creative market-making innovations.

SURVEY EVIDENCE

Recent surveys of consumers, lenders, and builders all reveal seriously weakening conditions. On the consumer front, major measures of confidence plummeted in October, falling deeply into typical recession territory despite major declines in energy prices for the month. With respect to home buying conditions, the University of Michigan reports that the proportion of consumers saying it's a good time to buy fell sharply in October, while the proportion saying it's a bad time to buy rose sharply. The key swing factor in October had to do with worsening conditions in home mortgage markets, although more consumers complained about bad times ahead and fewer viewed low house prices as a positive—presumably because consumers now are projecting falling prices into the future.

The Federal Reserve's October survey of bank lending officers documents tightening of lending terms and standards in virtually all markets served by depository institutions. In the home mortgage market, large majorities of banks said they had tightened their lending standards on prime, subprime, and nontraditional mortgages (including payment-option and interest-only ARMs as well as alt-A products) during the previous three months. This round of tightening, of course, was layered on top of a systematic tightening process that began toward the end of 2006, and the cumulative process is the most serious on record.

The NAHB's monthly Housing Market Index, based on surveys of more than 400 single-family builders, sank to a record low in October as builder rankings of buyer traffic, current sales, and six-month sales expectations all fell to record lows. The October survey also showed that record numbers of builders have been cutting prices and offering nonprice sales incentives. However, only small proportions of builders said that such measures were highly effective in bolstering sales or limiting cancellations. With respect to price cuts, nearly half the builders said that recent reductions were "not at all" effective.

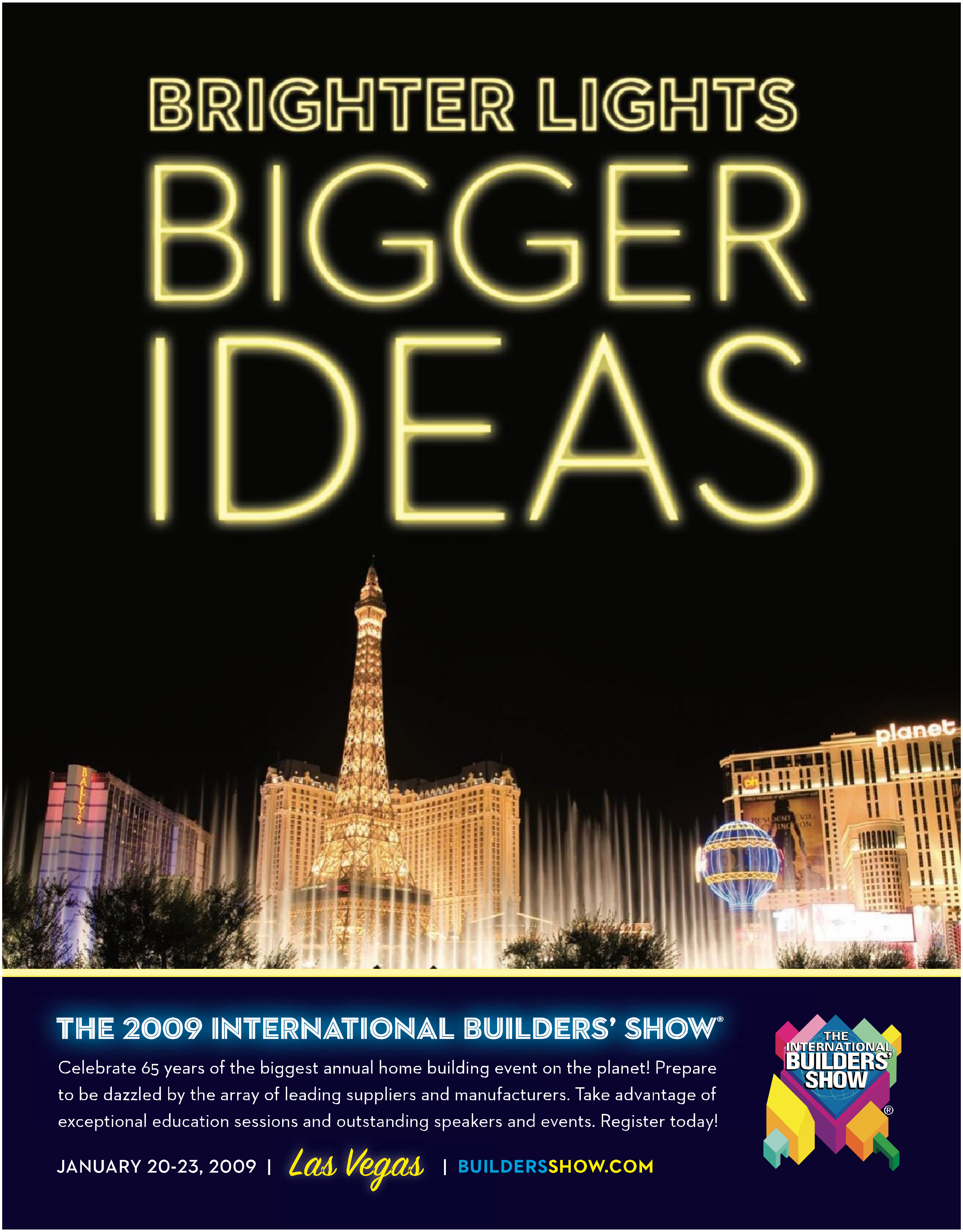


POLICY FRONT

The Federal Reserve is likely to lower its target for the federal funds rate to ½ percent before the end of the year, the lowest level on record, and the Fed undoubtedly will continue to pump liquidity into short-term credit markets that need repair—including the commercial paper market. But the Fed may well wind up pushing on a string in its efforts to revive the faltering economy as banks hoard cash and lending volume refuses to expand in critical private sectors such as housing.

Many economic stimulus ideas have surfaced recently, and enactment of a sizable fiscal package is highly likely in the near term. Competition for federal assistance naturally has been intense, but it makes perfect sense to direct some additional assistance toward the housing sector—for the good of both the economy and the financial markets. A well-constructed package including a strong temporary tax incentive for home buying, complemented by sizable buy-downs of mortgage rates and effective limits on foreclosures, would pay handsome dividends in short order.

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ON THE BEACH: Michelle Dashiell is co-owner of Joseph T. Dashiell Builders in Maryland, which last spring launched a separate business, Beach Transformations, to manage its remodeling and commercial work. Since the launch, it's been fielding two to three referrals a week.

BY JOHN CAULFIELD

NO STONE UNTURNED

Struggling builders turn to remodeling and commercial work, some for the long haul.

In a good year, Tower Park Construction in Twinsburg, Ohio, builds about two dozen homes. But through mid-October 2008, Tower hadn't started a house in two years. Like thousands of other builders anxiously waiting for their markets to recover, Tower is "holding on," says owner Jeff Budzowski, by taking on remodeling and commercial construction projects.

"Builders who would have turned their noses up at certain kinds of work are getting into renovation, commercial, retail, and even limited-scope projects like decks," says Chris Pattey, director of residential construction for the Salisbury, Md.–based architectural firm Becker Morgan Group. The *St. Louis Post-Dispatch* recently reported on one custom builder, Padgett Building and Remodeling in Swansea, Ill., which now gets 70 percent of its business from remodeling, versus 40 percent in previous years. And the same tale is being told in every corner of America's hobbled housing industry.

"We're doing a lot of remodeling," says Budzowski. Those jobs have included adding garages and sunrooms and finishing basements, as well as a complete makeover of a house owned by a player for the Cleveland Browns football team. Budzowski's previous background was in retail store development, and he has also attempted to expand Tower's business into renovating shopping centers. "What we found is that there's not a whole lot going on" in that sector, he says. But Tower has bid successfully on some industrial projects, including a $130,000 renovation for a local generator systems distributor. Tower expanded the distributor's offices, added a showroom, and spruced up the service and conference areas.

Budzowski's experience illustrates some of the advantages and limitations of diversification: Yes, it keeps cash flowing, but the jobs are generally smaller, the margins can be tighter, and builders must compete with everyone and his brother who are in the same boat they are. "The market for any kind of job is more crowded these days," says Michelle Dashiell, who co-owns Joseph T. Dashiell Builders in Ocean City, Md., which last spring launched a sister company, Beach Transformations, to manage its renovation and commercial work.

It's true that shifting into commercial construction or renovation is no guarantee of success, as both sectors have slumped recently. But with residential construction on its back, builders may have little choice but to diversify, observes San Diego–based architect Kevin deFreitas. "The market that has existed for the last 30 years doesn't exist anymore," he warns, "and won't exist in the future."

CHRIS HARTLOVE

NEW DIVISIONS FOR BUSINESS

Several builders whose companies have made the transition to other types of building say they expect such moves to outlast the housing recession. "We want to make an effort to restructure the company, because we definitely see the demand" for renovation, says Dashiell. Since her company started Beach Transformations, it has been fielding two to three referrals per week and has completed such projects as a $70,000 interior remodeling of a financial services office, a roof replacement on a condo complex, and even a deck installation.

The Dearborn Buckingham Group, a single-family and townhouse builder in Northfield, Ill., recently set up a separate division, Buckingham Properties, to handle remodeling projects, and a few months ago started contacting its home buyers to see if they were interested in improvements such as basement finishing or kitchen upgrades. "So far, the response has been pretty good," says Chris Coleman, Dearborn's president. But his company appears to be one of the few production builders that have moved in this direction. BUILDER contacted nine of the top 30 builders and none was taking on renovation or commercial work even as a stopgap. "We did a little remodeling but found that it was so different from what we do," says Scott Buescher, COO of Mercedes Homes in Melbourne, Fla. He also notes that commercial construction in Mercedes' markets also "has started to die out." One executive with a top-10 builder thinks production builders must concentrate on what they are best at, regardless of economic conditions. "There's not a builder out there that's so good that it can distract its management from its core competency."

Coleman, whose company continues to build houses, disagrees. He thinks builders can do both and may have an advantage over conventional remodelers because builders' estimating and bidding processes are more sophisticated. Day to day, though, Coleman does find remodeling to be different from production home building "in almost every aspect. It's similar to building a custom-made house [in terms of] scheduling requirements. Plus, the owner is living in the house," so on-site supervision of the project is more intense.





DOUBLE DUTY: Rachel Matthew Homes in New Mexico is tapping into buyer demand for office space that features the same ornate interior architectural design as their homes.

PHOTOS: COURTESY RACHEL MATTHEW HOMES

ACCOMMODATING REQUESTS

During the downturn, some builders stumbled into renovation and commercial work. Two years ago, for example, Rachel Matthew Homes in Corrales, N.M., built a 4,500-square-foot office for itself that included many of the flourishes found in its high-end custom homes: granite countertops, Viking appliances, and fine trim details. Its president, Steve Nakamura, says he intended to use the office as a showcase for the options his company offers to its home buyers.

"We realized there was a market for this kind of building," he recalls, when a commercial broker brought one of his clients to the office, and that client offered to buy it. Nakamura accepted that offer, acquired another lot, built a 6,500-square-foot office that was even more ornate, and then sold that building in November for more than $1 million. Now, Rachel Matthew Homes is buying land for 25,000-square-foot office/condo complexes. "The people we build our McMansions for are their own bosses and want to work in an amenable environment," Nakamura explains. And his appetite has been whetted for commercial work in general: This fall, his company negotiated to build a 7,000-square-foot fire station for the city of Rio Rancho, N.M.

Other builders are acquiescing to the requests of existing or former customers. Last summer, T.W. Lewis, a custom builder in Tempe, Ariz., received a call from a buyer who had purchased a home from the company in 1996. The owner wanted Lewis to remodel his master bath and kitchen. T.W. Lewis had turned down similar requests from owners in the past, but its COO, Kevin Egan, thought remodeling might offer a welcome revenue stream in the down market and accepted the job.

Thanks to T.W. Lewis' Design Center team, what began as an $85,000 job expanded into a $190,000 whole-house renovation that included new wiring, doors, stairs, and flooring. Egan adds that the owner was "most impressed" with how quickly the builder got the job done. "We signed the contract on June 3 and were finished by July 15," with the actual construction work taking only three weeks.

Egan now sees remodeling as a "natural progression" of the T.W. Lewis "Trade Up to Luxury" program it began in the summer of 2007, through which it purchases buyers'



ANOTHER REVENUE STREAM: T.W. Lewis' COO, Kevin Egan, sees remodeling as an extension of this custom builder's trade-up program, where it purchases buyers' homes, remodels, and then resells them.

WES JOHNSON

homes and renovates them for resale. The builder has purchased and resold 35 houses, in which it has made mostly cosmetic improvements such as replacing carpeting or lighting fixtures.

On the basis of that first whole-house renovation job, Egan thought it would be relatively easy to attract more remodeling work. But as of mid-October, T.W. Lewis had captured only three other projects, ranging from $25,000 to $100,000 in scope. "The challenge is the economy," Egan says. "People are hesitating to spend more money on their homes, and it's going to take some time to develop this business."

HAVE LABOR, WILL TRAVEL

Diamante Custom Homes has built both residential and commercial projects for years but limited its services to customers within 30 minutes of its San Antonio headquarters. In early 2007, a client asked the builder if it would renovate a bus terminal in Eagle Pass, 150 miles away on the border of Texas and Mexico. Adam Sanchez, Diamante's owner, took on this $300,000 project, but only after he was sure he'd have sufficient labor to complete it. "What surprised us was that our subs were willing to go down there," says Sanchez. With the approval of its client, Diamante paid its subs a trip fee of $75 to $100 per day, or a per diem for meals and lodging.

Labor hasn't been a problem for other builders who say they are using their residential contractors for most of the remodeling and some of the commercial work they take on. Coleman notes, though, that he's had to broaden his trade base because some remodeling projects are too small for his home building subs. And Dashiell says her subs have learned to make concessions about what they charge if they want work, because "margins on renovation jobs are generally lower" than on home building.

To maintain respectable margins, Sanchez says his company, when bidding for nonresidential or remodeling work, stays

away from anything that's higher than three stories or over $500,000 in scope. That way, he avoids mixing with larger commercial contractors that can come to the table with bond financing. At least one builder, though, isn't shy about going up against larger competitors. Carmen Dominguez, who owns the custom builder Homes by Carmen Dominguez in Orlando, Fla., is in the process of having her company certified as a minority contractor in preparation to bid on some of the $1.1 billion in public works projects in her market.

Dominguez has some experience with commercial projects already: She got her start in construction by building medical offices. And as her company's home building activities have slowed (at press time, it was finishing a $1 million home but didn't have other orders), she has joined forces with other companies on private-sector commercial projects such as renovating a hospital. "What I bring to the table is my expertise in custom building, which are jobs that require great finishes." That expertise is relevant in the commercial world, too, she says. Dominguez points to a 4,500-square-foot office she's renovating for an accountant and says, "I'm making it a lot warmer."

WORK IS WHERE YOU FIND IT

There's no question that more builders are turning over every rock to uncover new business. Last December, Budzowski became NAHB-certified as an aging-in-place specialist, a designation he now markets to owners who want to stay in their houses longer. He consults with physical therapists or caregivers "to determine what [the owner] can and can't do," and then remodels accordingly, such as making a home wheelchair-accessible or improving its lighting. Budzowski recently spoke about aging-in-place to a senior citizens group in Independence, Ohio, and if that visit produces business, he intends to reach out to other seniors groups.

Based on its success with the bus terminal project, Diamante Custom Homes is now promoting its services to markets farther away. It relaunched its Web site to be more generic and spends more with search engines so that its name pops up more prominently for markets such as Austin, Texas. Sanchez says that he is planning to open a sales office in Port Aransas, Texas, a coastal vacation community two and a half hours from San Antonio, that would target both residential and commercial customers. He expects commercial construction to represent 25 percent of his business in 2008, versus 10 percent to 15 percent in previous years.

Builders such as Sanchez and Nakamura, whose companies have remained reasonably active on the residential front during the downturn, are also eager to sustain their remodeling and commercial businesses long term. That's true as well of Lonnie & Chad Brown Builders in Versailles, Ky., a company that will build around 35 homes in 2008, down slightly from the 45 it built the previous year. It will also complete 25 remodeling projects. Owner Lonnie Brown says his company will continue to bid on remodeling projects even after the new-home construction market revives. When asked why he would continue relying on lower-margin renovations, Brown responds philosophically. "Well, you can't eat a lot of filet mignon, but at least you can eat." **B**

Getting Started

Mixed-use communities are a good training ground for builders looking at commercial, says one developer.

The closest that most home builders get to commercial construction is their involvement in mixed-use communities that combine housing with offices, retail, and other nonresidential structures. But at least one developer thinks such projects are a good place for builders wanting to expand into commercial and industrial projects to cut their teeth.

"The processes and procedures for mixed-use developments are not all that different from strict residential," says Taylor Downey, manager of community development for Weyerhaeuser Real Estate Co. (WRECO) in Madison, Ga. "You have more conversations with the local planning and zoning folks, and the infrastructure becomes more critical. It can also be more expensive, but there's more potential for added value, too."

WRECO has received "considerable interest" from builders wanting to be part of its 586-acre project in New Bern, N.C., that will have more than 1,000 housing units plus retail and a hotel. WRECO also has in the works an 800-acre development in St. Tammany Parish near New Orleans and a 2,000-acre mixed-use community in Onslow County, N.C. Downey says these "new kinds of developments," with their live, work, and play components, are being brought on by "the economic and infrastructure demands in all of the geographies we work in. They answer a lot of demand questions and are what municipalities are looking for."

He says WRECO has done similar communities in the Pacific Northwest, and the concept is now "migrating" to all of WRECO's builder divisions.



MIXING IT UP: WRECO's 586-acre development in New Bern, N.C., will include a town center with offices, parking, and a 300-room hotel, as well as 1,168 home units.

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TUCKED IN: Bay Area beauty Blue Star Corner fits 20 townhome units, 26 parking spaces, six bicycle spaces, and three tranquil courtyards onto .7 acre.

BY JENNY SULLIVAN

MANIFEST DENSITY

Check out four projects that share walls, look great, and may portend housing's future.

Settlers in America connected the dots from the Atlantic to the Pacific long ago, but today's builders are grappling with frontiers of a different nature. In the landscape of the current recession, the issues of the day all seem to involve questions about density, whether the challenge is to eke a small profit out of a leftover scrap of land, to make homes more affordable for credit-crunched buyers, or to ease the energy crisis by aggregating more people around shared infrastructure, jobs, and transit. As our world becomes more populous, higher-density housing is, frankly, inevitable. Builder looks at four small, attached projects that have addressed density head-on and done it delightfully well.

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BAY
ALARM

Plug and Play

Flexible condos fill in the holes in a master plan.

It's not uncommon for a master plan developer to end up with scattered bits and pieces of unused land once a major phase of the community nears completion. It's happened a few times in Stapleton, the famed airport redevelopment outside Denver that's become a model for New Urbanism.

"Forest City [Enterprises] often comes to us when they need to solve a problem," says Caroline Hoyt, co-founder and concept adviser at McStain Neighborhoods. "The problem this time was that there were little leftover pieces of land sprinkled throughout the community, such as odd-shaped tracts that don't subdivide themselves into a typical New Urbanist alley/street configuration," she explains.

One of McStain's earlier responses to such a challenge materialized as a series of small carriage homes stacked above garages, which could be plugged into all sorts of odd nooks and crannies. When these coupe-sized homes sold out quickly, the builder realized they were filling a void not just in the site plan, but also in the marketplace, catering to smaller households and single buyers. The latest variation on that theme, The Casitas, places 22 units—similarly designed with living spaces atop garages at grade—on roughly an acre (110 feet by 450 feet), with homes separated by walking paseos. Each mix-and-match plan can stand alone as a detached house or can become part of an attached cluster in which units are conjoined at the garages.

"The building forms are like LEGOs. You can attach them in many different ways so you almost never have to repeat a building," Hoyt says. "As long as you have a site that's relatively flat, you can make these fit on the strangest piece of ground imaginable."

The first enclave of Casitas opened in late September and snagged five reservations within a week. "Sometimes the most challenging restraint can produce the most gratifying result," Hoyt says. "Here's something you can do with an oddball, unwanted piece of land and get something great out of it—in this case, at 20 units to the acre."



BIG ON CHARM: Interiors are simple but not bland. Too small to fit a closet, this entry vestibule includes a bench nook and coat peg.



The Casitas

Location: Stapleton, Colo.
Builder: McStain Neighborhoods, Denver
Developer: Forest City Enterprises, Cleveland
Architect: Wolf Lyon Architects, Boulder, Colo.
Web site: www.stapletoncasitas.com

PHOTOS: CHERYL UNGAR



The Hillside

Location: Austin, Texas
Builder: Senderro Construction Services, Austin
Developer: CSGM Canyon Ridge, Austin
Architect: JZMK Partners, Irvine, Calif.
Web site: www.hillside2222.com

Every Which Way

Urban lofts adapt to rugged conditions.

NESTING URBAN-STYLE CONDOS into this 51-acre stretch of Texas Hill Country wasn't easy. The topography of the high bluff (which is surrounded by more than 24,000 acres of nature preserve) consisted of a thin layer of topsoil over a massive slab of steeply sloping limestone. Add to that the hundreds of indigenous oaks, cedars, and boulders that the city of Austin wanted to preserve. An analysis conducted by local civil engineers concluded that the site couldn't support more than 65 or 70 units, given that only 9.2 acres were actually buildable. The young developers at CSGM and the architects at JZMK Partners took that pronouncement as a challenge and raised the ante to 101 units.

Natural and municipal constraints played a major role in shaping the anatomy and orientation of the homes that now compose The Hillside. Chief among those constraints was an exceedingly compressed building envelope, thanks to a 28-foot height limit and a 4-foot allowable cut-and-fill restriction.

"From the existing topography, you could not go down more than 4 feet from any place," explains architect Don Jacobs, meaning the standard retaining wall solution to hillside development was out of the question. "Given the height limit, the buildings really had to be sandwiched in there. And the city wanted to avoid a Southern California kind of situation where you chop off the tops of mountains and regrade everything."

Deferring gently to nature, The Hillside offers up six floor plans in 28 different building configurations (these include a sprinkling of freestanding detached units, but mostly plex buildings housing two to seven units). Out of respect for the terrain and the height cap, the plans—which range from 1,315 to 2,395 square feet—can be stacked right-side-up or upside-down with the second floor sitting either above or below the garage at grade.

"Each building had to be evaluated and custom designed to fit the piece of land it sits on," says senior designer Katja Axmann. "In the steeper portions of the site, we came up with a downhill unit where you park on the ground level, but then the main living spaces are downstairs rather than upstairs."

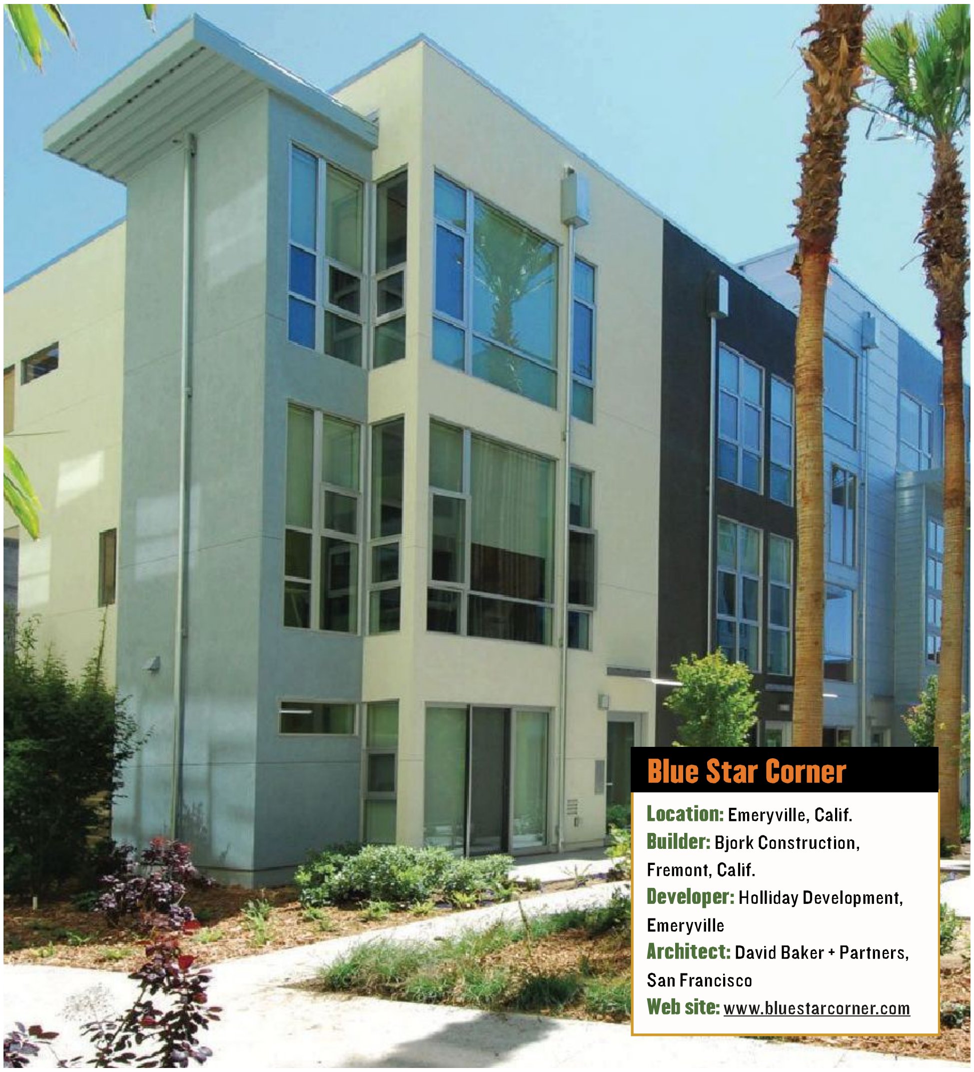
Water management was another issue. Restrictions relating to ground cover were resolved with a combination of open decks, wood slat walkways, and pervious concrete to ensure proper site drainage.

With their industrial cladding and loft-style spaces, the homes are every bit as cool as similar downtown buildings catering to young hipsters. But they also offer something the city digs don't: They feel like tree houses, offering bird's-eye views of downtown Austin and the surrounding hills. *(see page 70)*



COUNTERBALANCE: The building forms are complicated, so the cladding details are not. Metal, cedar, and limestone keep it simple.

PHOTOS: CHRIS COOPER PHOTOGRAPHY



Blue Star Corner

Location: Emeryville, Calif.
Builder: Bjork Construction, Fremont, Calif.
Developer: Holliday Development, Emeryville
Architect: David Baker + Partners, San Francisco
Web site: www.bluestarcorner.com





LIGHT BOXES: Skylights above stairwells and large windows (the chill pod even has one) keep interiors bright and airy.

Dutch Treat

Skinny row homes take a vertical leap of faith.

WHEN YOUR CHARGE IS TO INTRODUCE 20 new housing units to a site that's less than an acre (.7 to be exact), of which nearly a third is to be preserved as open space, you've got nowhere to go but up. And in this LEED-certified infill project, every inch of vertical space is put to good use.

Inspired, in part, by the space-saving row homes that now inhabit Amsterdam's old shipyards, Blue Star Corner orients four rows of tall, skinny townhomes around English-style mews. Kinetic steel birdhouse sculptures, cable trellises, and drought-tolerant plantings create intimate public gathering places in the narrow, 24-foot-wide courtyards between the buildings.

Inside the units, which range from 1,300 to 1,700 square feet, living spaces are creatively stacked in three or four levels—rising up from a modest footprint of just 15 feet by 30 feet. Two of the three plans offer a mezzanine level between the second and third floors, complete with a raised, upholstered "chill pod" that can be used as a reading nook, entertainment cocoon, sleeping platform, or extra storage space.

"The idea for the chill pods was driven by what the code allows," explains architect Kevin Wilcock. In order to qualify as a mezzanine, a space must be open to the adjoining floor below and cannot have a floor area larger than a third of the square footage of the floor below. The pod creatively adds more functional space to the mezzanine without blowing the ratio. "Technically, the chill pod doesn't count as floor space because you can't stand up in it. We sold it as a raised area that creates a ceiling for the kitchen underneath," he says.

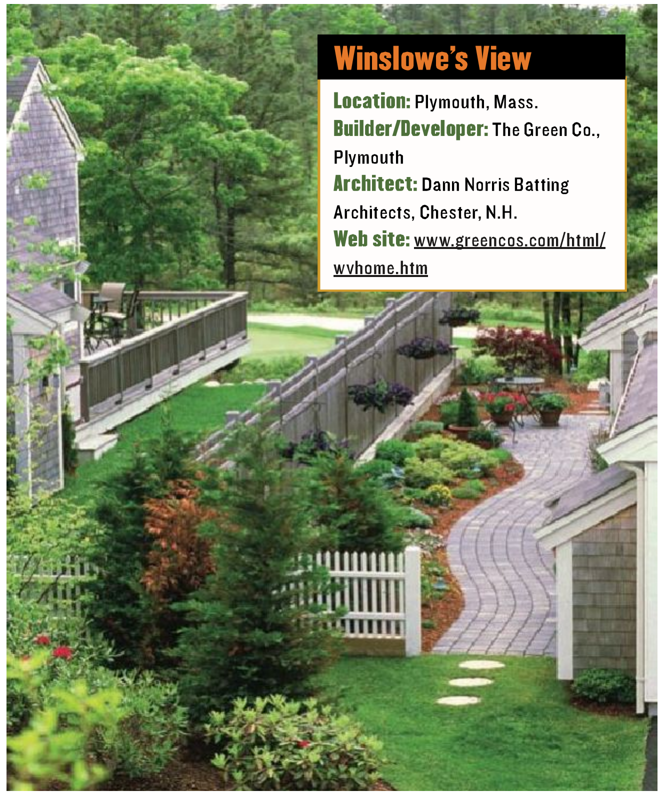
About that kitchen: It's equally economical, incorporating electronic charging stations inside cabinets, a built-in oven tucked underneath the stair landing, and a separate undercounter refrigerator and freezer in lieu of a big box fridge–freezer combo. "Without that large, bulky appliance, you have a nice, open stretch of counter space and the kitchen feels larger than it actually is," Wilcock says.

And then there's the car factor: The project's parking solution, which integrates 26 car spaces into tuck-under garages attached to the units at grade—plus six bicycle spots—was a major cost saver. "A structured underground podium garage might run you $50,000 to $60,000 per unit, and we were able to avoid that," says Wilcock. The individual garages are small but functional, featuring built-in dog-washing areas and flip-down workstations with outlets and Peg-Boards. *(see page 72)*

PHOTOS: COURTESY DAVID BAKER + PARTNERS


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Winslowe's View

Location: Plymouth, Mass.
Builder/Developer: The Green Co., Plymouth
Architect: Dann Norris Batting Architects, Chester, N.H.
Web site: www.greencos.com/html/wvhome.htm

GARDEN VARIETY: Each attached home has a private courtyard, unique entryway, and exclusive outdoor spaces.

PHOTOS: LEFT: BRIAN VANDENBRINK; RIGHT: MIKE RIXON

Sweet and Low

Boomers go for small-town charm.

Downsizing is a great idea in theory, but when the move means cramming into a smaller unit in an attached building with no yard, perhaps surrounded by concrete, the transition can come as a lifestyle shock.

That hasn't been the experience of empty-nesters moving to Winslowe's View, a verdant village of small, cottage-style townhomes in the acclaimed planned community of The Pinehills. First off, some 70 percent of the neighborhood's 214 acres are preserved as open space. Second, each low-lying building contains no more than two or three residences. As a result, the majority of homes are end units, and all enjoy multiple connections (including private ones) to nature.

"We want our homes to look like single-family homes, but, more importantly, we want them to live that way," says Dan Green, president and principal of The Green Co., the builder of Winslowe's View as well as the master developer of The Pinehills.

In some ways, the community offers something even better. "Since we control the whole site plan, the roads are not double-loaded," Green adds. "So you aren't looking out the window at your neighbor's front yard or sitting on your patio with a view to the back of another house."

The trick, he says, is thinking about land planning in reverse. "Most builders start with roads and then add homes. We start by walking the site multiple times in its natural condition, taking note of environmentally sensitive areas—be it a tall stand of trees, a vernal pool, an ocean view, or even a man-made golf course view—and then preserving that feature and siting homes around it. The last thing we do is figure out how to bring roads in."

Although Winslowe's View is not an age-restricted community, its homes cater to older buyers by design. The smallest houses in the neighborhood run a diminutive 1,100 to 1,550 square feet. None of the homes has more than two bedrooms on any floor, and most are master-down plans designed for single-story living.

"People who are thinking about downsizing out of a single-family house usually find they are living mostly on one floor and spending all their time in the kitchen, breakfast, and family room of their current house," Green says. "Our homes are designed to work this way. And in almost all of the plans, the dining room and family room are open to each other, so at holiday time you can move the couches out of the way and accommodate 20 people for dinner."

Traditional shingle cladding, gable-pitched roofs, and crisp trim give the cottages a quintessentially Cape Cod aesthetic that makes local buyers feel perfectly at home. The neighborhood even features an old-fashioned post office and a general store with penny candy in glass mason jars, a soda fountain, and a big cookie jar that operates on the honor system. **B**

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BY ALISON RICE

ILLUSTRATIONS BY DAVID PLUNKERT

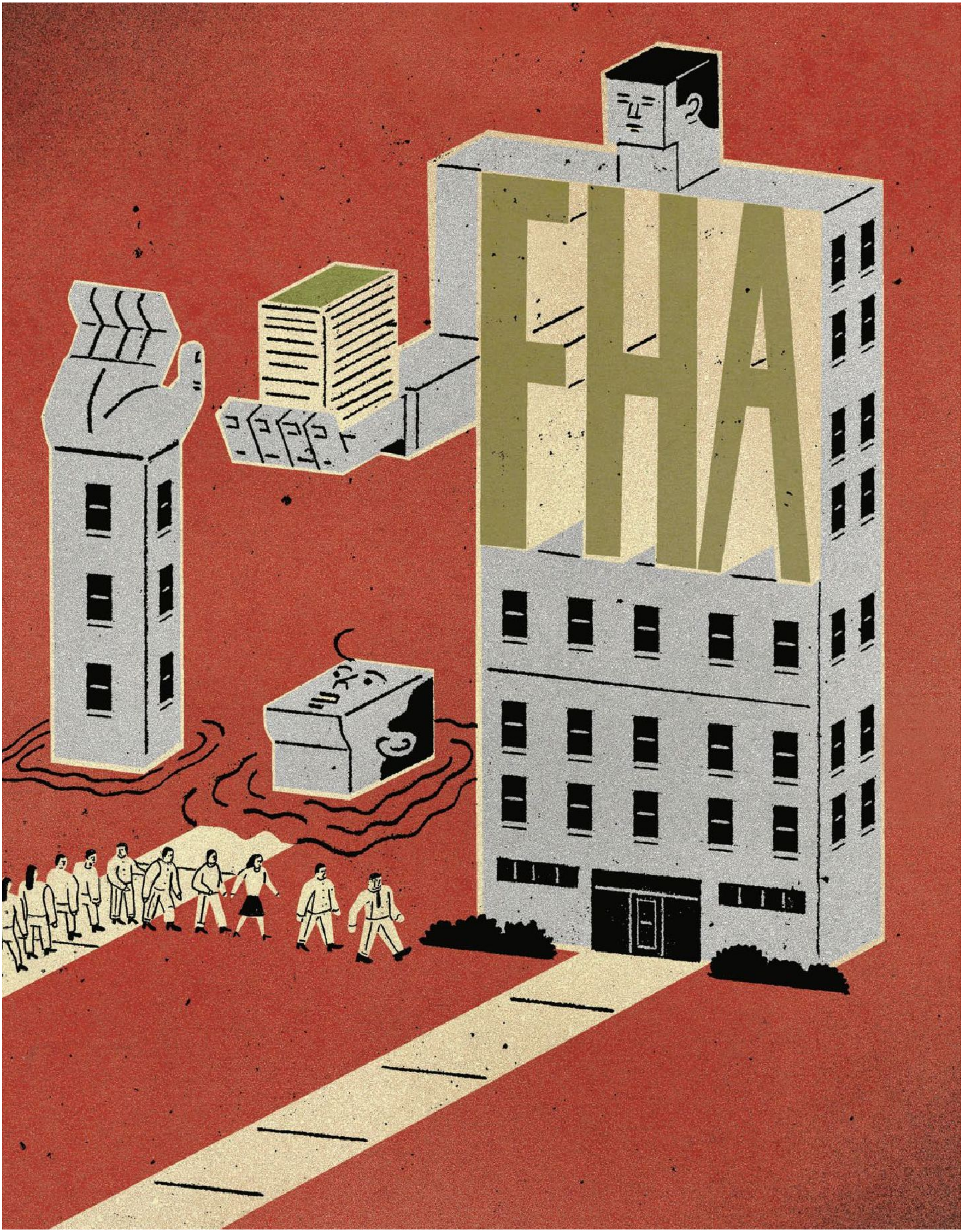
Bill Renner knows exactly when access to government-insured mortgages became essential to the survival of home building companies around the country. That would be March 2008, when Congress passed an economic stimulus bill temporarily raising the loan limits for FHA-insured loans to as high as $729,750 in some parts of the country, more than twice as high as before.

"Because loan limits had become so far away from prices in markets like California, builders did not even think of FHA," says Renner, director of single-family finance at the NAHB. "This opened these markets back up to the use of FHA, and I got calls from builders turning to FHA, asking, 'What are these new requirements?'" That's a reasonable question—but it also indicated just how much FHA's market share had shrunk during the boom. "FHA hadn't added any new requirements since 1996," Renner says. "These guys hadn't used FHA since the '80s."

Times have changed. Subprime loans have slunk back into the darkness, but with banks clinging to cash like a lifeline, conventional mortgage financing has disappeared even for creditworthy borrowers. "This is the tightest lending environment I've ever seen, and I've got 27 years in the business," says Dan Klinger, president of K. Hovnanian American Mortgage, the financial services division of public builder Hovnanian Enterprises.

That tightening has resulted in a tremendous expansion of FHA in terms of the number of home loans endorsed, dollar value of mortgages insured, and its share of the overall mortgage market. For better or for worse, FHA has become an essential source of mortgage financing during this housing slump, nearly tripling the dollar volume of home mortgages that it insures between 2007 and 2008 alone, to more




FHA

than $102 billion. Such growth worries industry watchers who aren't persuaded that builders, lenders, and others have truly sworn off the practices that created the now-deflated housing bubble.

IRRELEVANCE TO DOMINANCE

As recently as 2004, though, FHA's sinking market-share numbers had even government employees questioning whether their agency, established in 1934, had become unnecessary. (See "FHA Market Share," page 77.)

"Our market share was dropping precipitously," remembers Meg Burns, director of FHA's office of single-family finance. "We thought, 'If people can get prime-rate financing without government insurance, that's a great thing.'"

So they decided to research the issue. What FHA uncovered—that borrowers who could have qualified for FHA loans at prime-level interest rates were instead choosing more-expensive subprime products—was largely ignored in 2005, when agency staffers testified at a hearing about their subprime findings and concerns. Meanwhile, FHA market share continued to fall, sliding to a low of 5 percent in 2006 for new-home purchases.

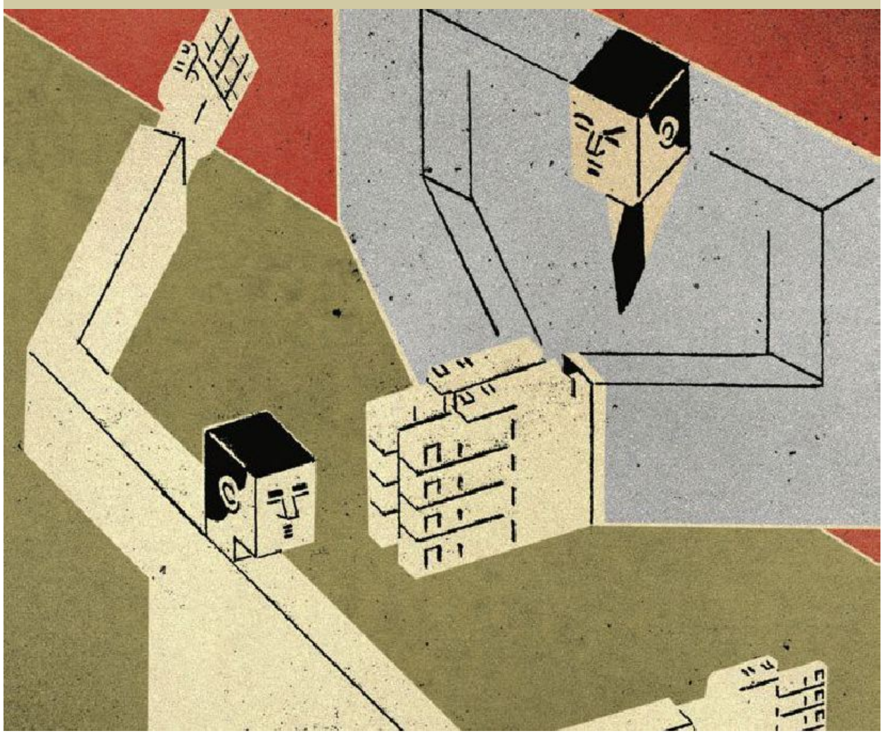
What a difference two years can make. For 2008, FHA projects a new-home market share of almost 13 percent, and the percentages are much higher for some home building firms. At CTX Mortgage, which serves Centex Homes buyers, 60 percent of its loans are FHA-insured. Klinger expects even higher figures at Hovnanian, where he says 60 percent to 68 percent of his loans will be FHA. "During the boom, we did 90 percent conventional and 10 percent government loans," says Kim Shelpman, president of Holiday Builders in Melbourne, Fla. "Now it has completely flipped."

The current prevalence of FHA and other government-backed loan programs has influenced many builders' construction and sales decisions. American Dream Development, a small private builder based in Junction City, Kan., has reduced the size of its homes by almost 200 square feet, to 1,750 square feet. "We're shrinking square footage in order to get into the price range where more people can qualify," says company president Jeff Burton. Other builders are also paying attention to FHA loan limits. In Raleigh, N.C., Mungo Cos. is using the FHA loan limits as a pricing benchmark, with FHA plus 5 percent to 10 percent as the target, according to company president Steven Mungo.

RECENT FHA CHANGES

- Loan limits are calculated on local market data from where the home is located. That means FHA will back loans that are as high as 115 percent of the area median home price, with the lowest possible limit set at $271,050 and the maximum at $625,500.
- Minimum down payment required for an FHA loan: 3.5 percent as of Jan. 1, 2009.
- No seller-funded down-payment assistance as of Oct. 1, 2008.

SOURCE: NAHB



BUILDERS GET A REFRESHER

As Renner learned last spring, the FHA revival has meant a refresher course for builders on this government-backed financing. Borrowers must have a down payment of 3 percent, which rises to 3.5 percent on Jan. 1 under legislation passed last summer. And, thanks to that same legislation, builders may no longer provide that down-payment money to buyers via a nonprofit group.

Most importantly, borrowers must actually demonstrate to lenders that they have the ability to repay their home loan. "With subprime, they didn't verify income or whether people paid their bills on time or whether they had reserves in the bank or the source of the cash for the down payment," Klinger says. "For FHA, you must document [borrowers'] income, their reserves, and make sure the payment is at an acceptable level. It's lending the way lending was supposed to be."

That doesn't mean every buyer has a perfect credit report; FHA is designed to provide affordable mortgages to riskier, less affluent borrowers who may have credit blemishes that require extra research or documentation. "You can manually underwrite a government loan, so if there are any quirks, you have a person looking at it versus a computer," Shelpman says.

But the approval—or rejection—process doesn't take as long as builders might expect. "If you are a direct-endorsed lender by HUD, it doesn't add to the work, because you are set up operationally to make decisions," Klinger says. "We can get buyers answers quickly and do all the paperwork behind the scenes."

Smaller builders who don't maintain their own direct-endorsed lending operation should build extra time into the schedule. "There is more paperwork to fill out," says Burton. "It adds perhaps five to 10 days to the closing date. It just depends on how familiar lenders are with the program."

Builders who haven't used FHA in years probably will find other aspects of the program simpler than they remember. "It got to the point that the laws had to change for the program to move forward," explains

Renner, who says the program had a number of outdated and redundant requirements that have since been abolished.

For example, FHA no longer requires individual HUD approvals for detached single-family homes. "The best thing we did for new construction was in 2001 ... when we [changed the rules and] deferred to the local jurisdiction, [considering the housing acceptable] if they issued a building permit and a certificate of occupancy," Burns says.

Projects that are considered multifamily, including mid-rise, high-rise, or condo townhomes, are a different story. Before a single condo unit in a multifamily project can be purchased with an FHA loan, the entire property must be FHA-approved by HUD. "For the longest time, builders didn't bother with [FHA community approvals], because in some areas you didn't need government financing," Klinger says. "Now we are working feverishly on this."

Among the requirements: 51 percent of the project must be presold. That's undeniably difficult in the current housing market; but attempting to sell homes not eligible for FHA financing is nearly impossible, and builders know it. "[CEO] Ara [Hovnanian] has emphasized to the company presidents that you better make sure you make this a priority," Klinger says. "If you don't meet the presale requirements and get FHA community approval for your project, stick a fork in it—it's done."

FHA's Burns knows the multifamily for-sale side of the FHA approval needs attention. "We are still negotiating about how streamlined we can make the program, and unfortunately builders are being caught up in that transition," she says.

The situation illustrates the ongoing challenge for a government program such as FHA, where requirements can quickly get out of sync with market realities. "FHA and VA need to operate as close to a conventional [financing] basis as they can, because when a builder builds a house on a spec basis, he doesn't know how the buyer is going to finance it," Renner says.

But when conventional financing practices have resulted in jaw-dropping numbers of foreclosures across communities poor and affluent alike, how close to conventional should FHA get?

CALCULATED RISKS

Even during the boom, housing analyst Ivy Zelman tended to huddle with the bears rather than run with the bulls, and she has not changed her habits during the downturn. To her, the rapidly growing FHA is not a lifesaver for builders and buyers during the current credit crunch, but the likely source of the next subprime-like shock.

"Just look at [FHA's] default rate and loose lending criteria—no credit score, only 3.5 percent down payment, and front and back-end ratios at 38 percent and over 50 percent," Zelman says, referring to the percentage of a borrower's pre-tax monthly income dedicated to their home loan and total debt payments, respectively. "Maybe it's not as bad as subprime, but a lot of [buyers with] weak credit and with no money down are purchasing homes in a deflationary environment. It's not a good recipe for success."

Burns disagrees strongly with the characterization of her agency as a subprime bubble just waiting to pop. "That comes up over and over," she says fiercely. "We actually make borrowers qualify. They have to show they have income to repay the loan. We validate their employment; it isn't just fictional income. As for us being the 'new subprime,' we're not subprime. We give people access to prime financing at cost."

But the recent explosion of FHA business has caused alarm in some quarters. Direct-endorsed FHA lenders have the ability to review and manually approve government loans, an authority which some may be abusing. A recent *Business Week* story highlighted aggressive FHA lenders and questioned the government's ability to adequately review the large number of people applying for FHA lending credentials.

Shelpman finds such news "disturbing." "Unfortunately, there are always vultures looking to make a quick buck, and these types of lenders should have their licenses revoked immediately or should never have been approved for FHA lending in the first place," she says. "If this program is abused by these unscrupulous individuals, it will invariably provide negative impact on builders both in the short- and long-term by changing or restricting the standards to which the program has operated effectively for several generations."

HUD spokesman Lemar C. Wooley says the agency is addressing the problem. "HUD's Office of Single Family Housing added over 100 new staff this past fiscal year, to help FHA handle the increased number of lender applications and increased volume of business," he says. That increase also translates into more files to review during the agency's annual audits of FHA lenders; the new employees will also be involved in that work.

Finally, Burns rejects the idea that the recent growth of FHA translates into riskier lending decisions, asserting that FHA is simply playing its traditional counter-cyclical role and stepping in to provide credit when the private sector cannot. "Our borrower base right now is better than our traditional FHA borrower because of the contraction," she asserts. "People who couldn't qualify for FHA before still can't qualify for FHA." **B**

Alison Rice is senior editor, online, at BUILDER *magazine.*

FHA MARKET SHARE

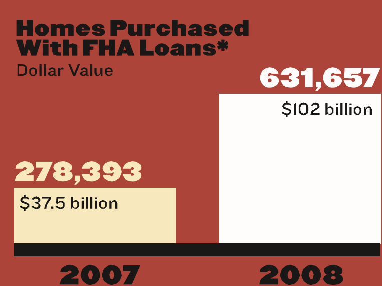
FHA's share of households using loans to buy new homes fell during the housing boom, but it has regained customers during the current credit crisis.

Fiscal Year	FHA Market Share
2000	6.99%
2001	7.68%
2002	9.86%
2003	10.07%
2004	7.72%
2005	5.58%
2006	5.04%
2007	5.98%
2008	12.56%

SOURCE: HUD

FHA RESURGENCE

As mortgage companies tightened lending restrictions and eliminated some types of loans in 2007 and 2008, FHA has become the go-to source for home loans for borrowers of all credit profiles.



*INCLUDES BOTH NEW AND EXISTING HOMES; DOES NOT INCLUDE REFINANCINGS.
SOURCE: HUD

UPlink // TO READ HUD'S RESPONSE TO BUILDER'S QUESTIONS ABOUT FHA RISK ASSESSMENT PRACTICES, GO TO WWW.BUILDERONLINE.COM/BUSINESS/HUDRESPONSE.

HOUSEPLANS

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Square Footage: 2,960 ■ **Bedrooms:** 4 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 90' - 2" X 58' - 6" ■ **Foundation:** Crawlspace, Slab, Unfinished Basement

Country French styling distinguishes this split bedroom one-story home. Inside, beyond the foyer, twelve-foot ceilings are used in the dining room and great room. The master suite features a bay window seating area and an amenity-filled bath. Three additional bedrooms on the left of the plan, share a full bath. A rear staircase is included, which can go up to the expandable attic space or down to the basement.



LARRY E. BELK DESIGNS

PLAN # HWBI020001 ■ **5-SET** $795 ■ **8-SET** $855 ■ **REPRO** $1065 ■ **CAD** N/A

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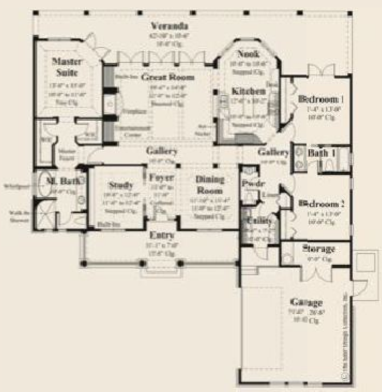


PLAN # **HWBI020002** ■ **5-SET** $685 ■ **8-SET** $750 ■ **REPRO** $935 ■ **CAD** N/A

Square Footage: 2,018 ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 ■ **Dimensions:** 65' - 10" X 54' - 0" ■ **Foundation:** Crawlspace, Slab, Unfinished Basement



Square Footage: 2,191 ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 ½ ■ **Dimensions:** 62' - 10" X 73' - 6" ■ **Foundation:** Slab



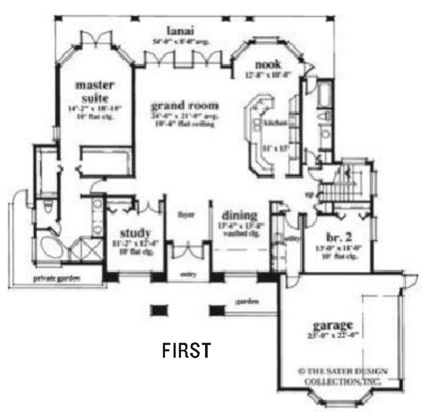


PLAN # **HWBI020003** ■ **5-SET** N/A ■ **8-SET** $855 ■ **REPRO** $1,065 ■ **CAD** N/A



PLAN # **HWBI020004** ■ **5-SET** N/A ■ **8-SET** N/A ■ **REPRO** $1,315 ■ **CAD** $2,410

First Floor: 2,368 sq. ft. ■ **Second Floor:** 428 sq. ft. ■ **Total:** 2,796 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 3 ■ **Dimensions:** 72' - 8" X 72' - 0" ■ **Foundation:** Slab



FIRST



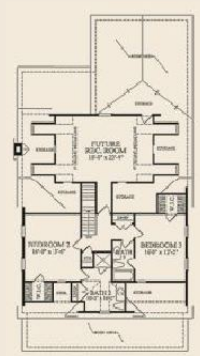
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First Floor: 1,904 sq. ft. ■ **Second Floor:** 819 sq. ft. ■ **Total:** 2,723 sq. ft. ■ **Bedrooms:** 4 ■ **Bathrooms:** 4 ■ **Dimensions:** 39' - 8" X 78' - 8" ■ **Foundation:** Crawlspace



FIRST



SECOND



PLAN # HWBI020013 ■ **5-SET** N/A ■ **8-SET** N/A ■ **REPRO** $1,678 ■ **CAD** $3,076



PLAN # HWBI020014 ■ **5-SET** $800 ■ **8-SET** $875 ■ **REPRO** $1,100 ■ **CAD** N/A

First Floor: 1,816 sq. ft. ■ **Second Floor:** 968 sq. ft. ■ **Total:** 2,784 sq. ft. ■ **Bedrooms:** 4 ■ **Bathrooms:** 3 1/2 ■ **Dimensions:** 54' - 6" X 52' - 5" ■ **Foundation:** Crawlspace





First Floor: 1,370 sq. ft. ■ **Second Floor:** 668 sq. ft. ■ **Total:** 2,038 sq. ft. ■ **Bonus Space:** 421 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 71' - 8" X 49' - 4" ■ **Foundation:** Crawlspace



FIRST

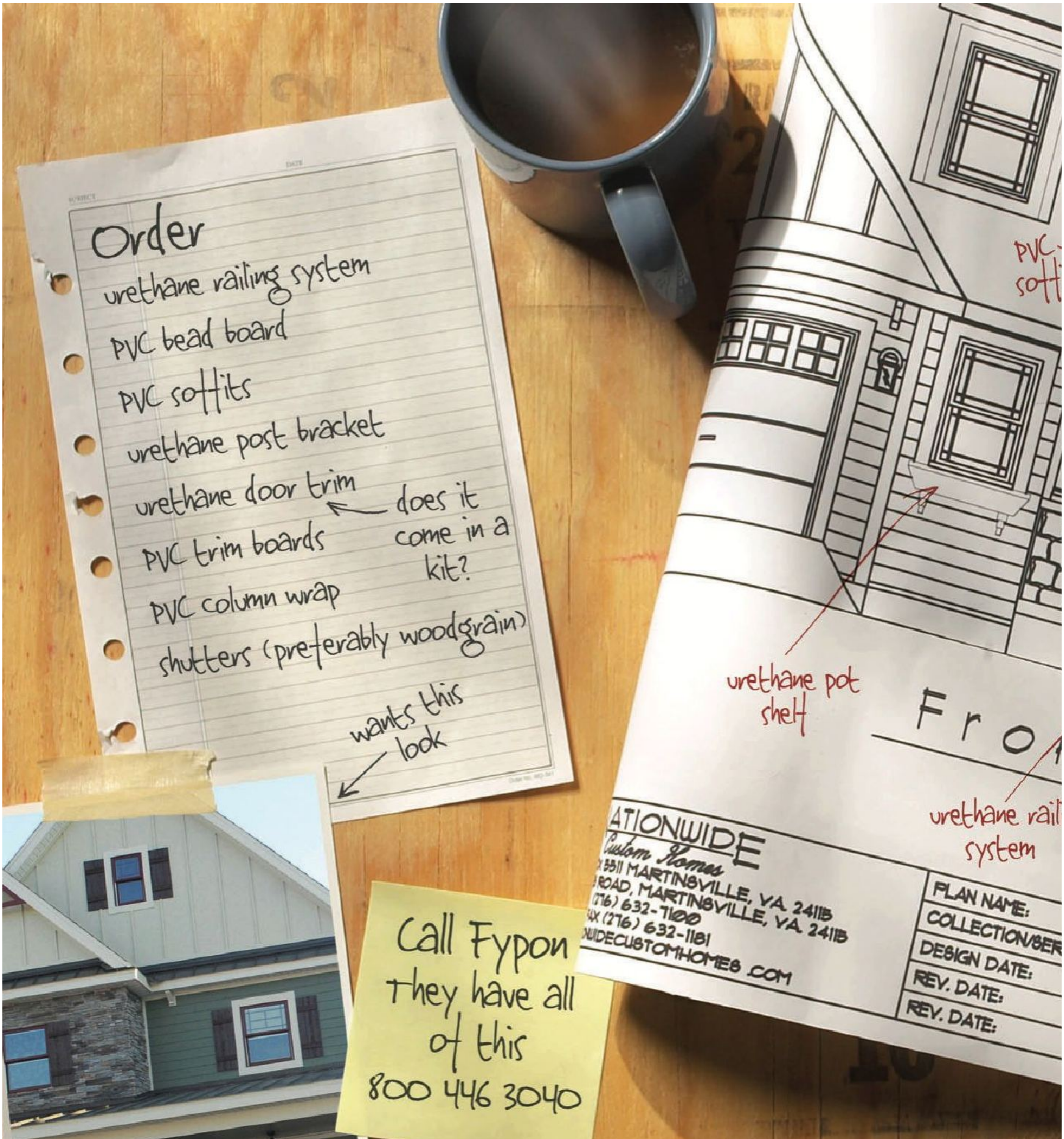


SECOND



PLAN # HWBI020015 ■ **5-SET** $800 ■ **8-SET** $875 ■ **REPRO** $1,100 ■ **CAD** N/A

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REV. BY:
CHK BY:
REV. BY:
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JOB NO.:
PROCESS DATE:

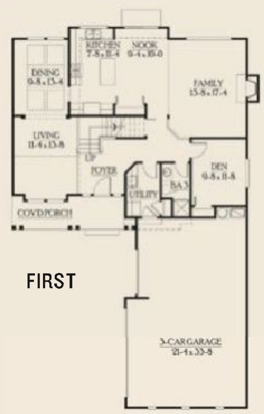


PLAN # **HWBI020005** ■ **5-SET** $795 ■ **8-SET** $855 ■ **REPRO** $1,065 ■ **CAD** $1,815

Main Level: 1,405 sq. ft. ■ **Second Level:** 1,348 sq. ft. ■ **Lower Level:** 42 sq. ft. ■ **Total:** 2,795 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 32' - 0" X 52' - 6" ■ **Foundation:** Crawlspace



First Floor: 1,296 sq. ft. ■ **Second Floor:** 819 sq. ft. ■ **Total:** 2,115 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 3 ■ **Dimensions:** 42' - 0" X 68' - 0" ■ **Foundation:** Crawlspace



FIRST



SECOND



PLAN # **HWBI020006** ■ **5-SET** $740 ■ **8-SET** $810 ■ **REPRO** $1,000 ■ **CAD** $1,735



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PLAN # **HWBI020021** ■ **5-SET** $795 ■ **8-SET** $855 ■ **REPRO** $1,065 ■ **CAD** $1,815

First Floor: 2,025 sq. ft. ■ **Second Floor:** 1,015 sq. ft. ■ **Total:** 3,040 sq. ft. ■ **Bedrooms:** 4 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 64' - 0" X 50' - 0" ■ **Foundation:** Crawlspace



FIRST



SECOND

CORNERSTONE DESIGNS, INC.

First Floor: 1,367 sq. ft. ■ **Second Floor:** 1,443 sq. ft. ■ **Total:** 2,810 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 ½ ■ **Dimensions:** 62' - 0" X 44' - 0" ■ **Foundation:** Crawlspace


FIRST


SECOND



PLAN # HWB1020008 ■ **5-SET** $740 ■ **8-SET** $810 ■ **REPRO** $1,000 ■ **CAD** $1,735



PLAN # HWB1020009 ■ **5-SET** $740 ■ **8-SET** $810 ■ **REPRO** $1,000 ■ **CAD** $1,735

Main Level: 1,550 sq. ft. ■ **Lower Level:** 1,065 sq. ft. ■ **Total:** 2,615 sq. ft. ■ **Bedrooms:** 4 ■ **Bathrooms:** 3 ½ ■ **Dimensions:** 62' - 0" X 46' - 0" ■ **Foundation:** Finished Walkout Basement


FIRST


SECOND

Square Footage: 1,486 ■ **Bonus Space:** 341 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 ■ **Dimensions:** 52' - 3" X 46' - 10"







PLAN # HWB1020010 ■ **5-SET** $660 ■ **8-SET** $720 ■ **REPRO** $1,010 ■ **CAD** N/A

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First Floor: 1,417 sq. ft. ■ **Second Floor:** 1,169 sq. ft. ■ **Total:** 2,586 sq. ft. ■ **Bonus Space:** 119 sq. ft. ■ **Bedrooms:** 4 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 52' - 0" X 43' - 6" ■ **Foundation:** Slab, Unfinished Walkout Basement



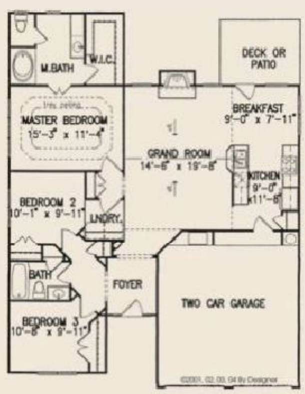
FIRST



SECOND

PLAN # HWBI020011 ■ **5-SET** N/A ■ **8-SET** N/A ■ **REPRO** $1,423 ■ **CAD** $2,431

Square Footage: 1,328 ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 ■ **Dimensions:** 40' - 0" X 52' - 0" ■ **Foundation:** Slab





PLAN # HWBI020012 ■ **5-SET** N/A ■ **8-SET** N/A ■ **REPRO** $731 ■ **CAD** $1,249



First Floor: 2,262 sq. ft. ■ **Second Floor:** 638 sq. ft. ■ **Total:** 2,900 sq. ft. ■ **Bonus Space:** 252 sq. ft. ■ **Bedrooms:** 4 ■ **Bathrooms:** 4 ■ **Dimensions:** 64' - 0" X 56' - 4" ■ **Foundation:** Crawlspace, Slab, Unfinished Walkout Basement



FIRST



SECOND

PLAN # HWBI020016 ■ **5-SET** $915 ■ **8-SET** $970 ■ **REPRO** $1,225 ■ **CAD** $2,085

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GARRELL ASSOCIATES INC.; FRANK BETZ ASSOCIATES, INC.

Square Footage: 2,325 ■ **Bonus Space:** 725 sq. ft. ■ **Bedrooms:** 3 ■ **Bathrooms:** 2 1/2 ■ **Dimensions:** 64' - 6" X 88' - 4" ■ **Foundation:** Crawlspace, Unfinished Walkout Basement





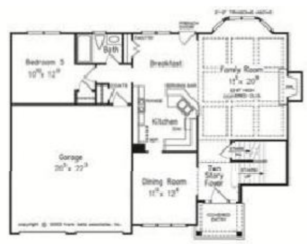


PLAN # HWB1020017 ■ **5-SET** $845 ■ **8-SET** $910 ■ **REPRO** $1,145 ■ **CAD** $1,915

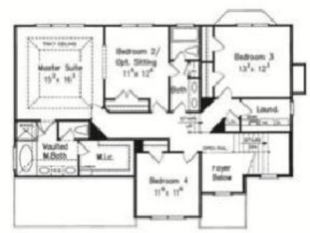


PLAN # HWB1020018 ■ **5-SET** $740 ■ **8-SET** $810 ■ **REPRO** $1,000 ■ **CAD** $1,735

First Floor: 1,108 sq. ft. ■ **Second Floor:** 1,253 sq. ft. ■ **Total:** 2,361 sq. ft. ■ **Bedrooms:** 5 ■ **Bathrooms:** 3 ■ **Dimensions:** 50' - 4" X 37' - 9" ■ **Foundation:** Crawlspace, Slab, Unfinished Walkout Basement

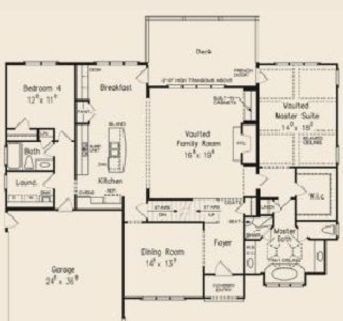


FIRST



SECOND

First Floor: 1,959 sq. ft. ■ **Second Floor:** 817 sq. ft.Total: 2,776 sq. ft. ■ **Bonus Space:** 271 sq. ft. ■ **Bedrooms:** 4 ■ **Bathrooms:** 3 ■ **Dimensions:** 59' - 0" X 52' - 0" ■ **Foundation:** Crawlspace, Unfinished Walkout Basement



FIRST



SECOND



PLAN # HWB1020019 ■ **5-SET** $845 ■ **8-SET** $910 ■ **REPRO** $1,145 ■ **CAD** $1,915

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FRANK BETZ ASSOCIATES, INC.



First Floor: 2,003 sq. ft. ■ Second Floor: 579 sq. ft. ■ Total: 2,582 sq. ft. ■ Bonus Space: 262 sq. ft. ■ Bedrooms: 4 ■ Bathrooms: 3 ■ Dimensions: 54' - 0" X 60' - 0" ■ Foundation: Crawlspace, Slab, Unfinished Walkout Basement



FIRST



SECOND

FRANK BETZ ASSOCIATES, INC.

PLAN # HWBI020020 ■ 5-SET $845 ■ 8-SET $910 ■ REPRO $1,145 ■ CAD $1,915

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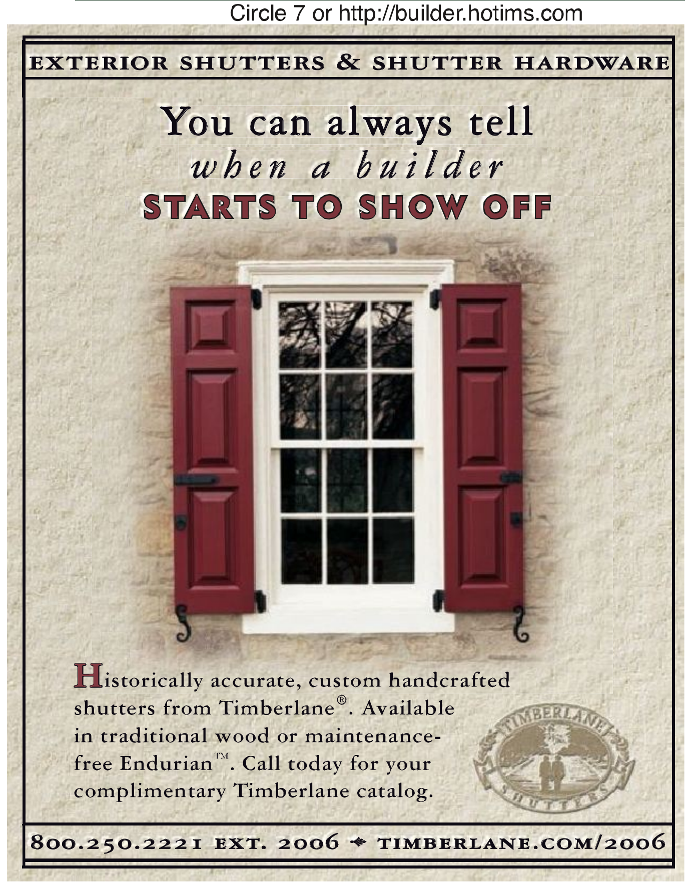
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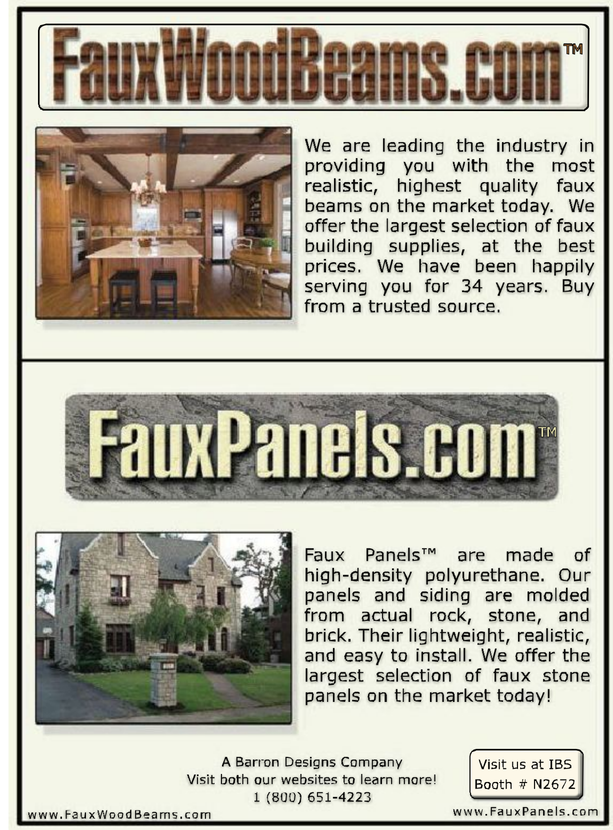


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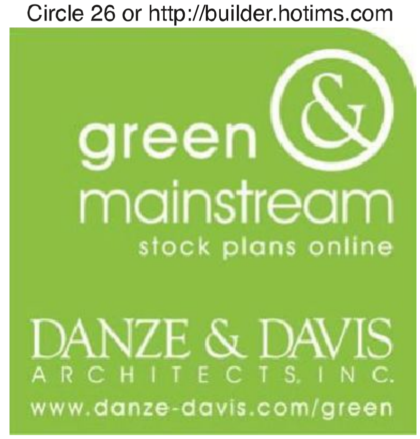
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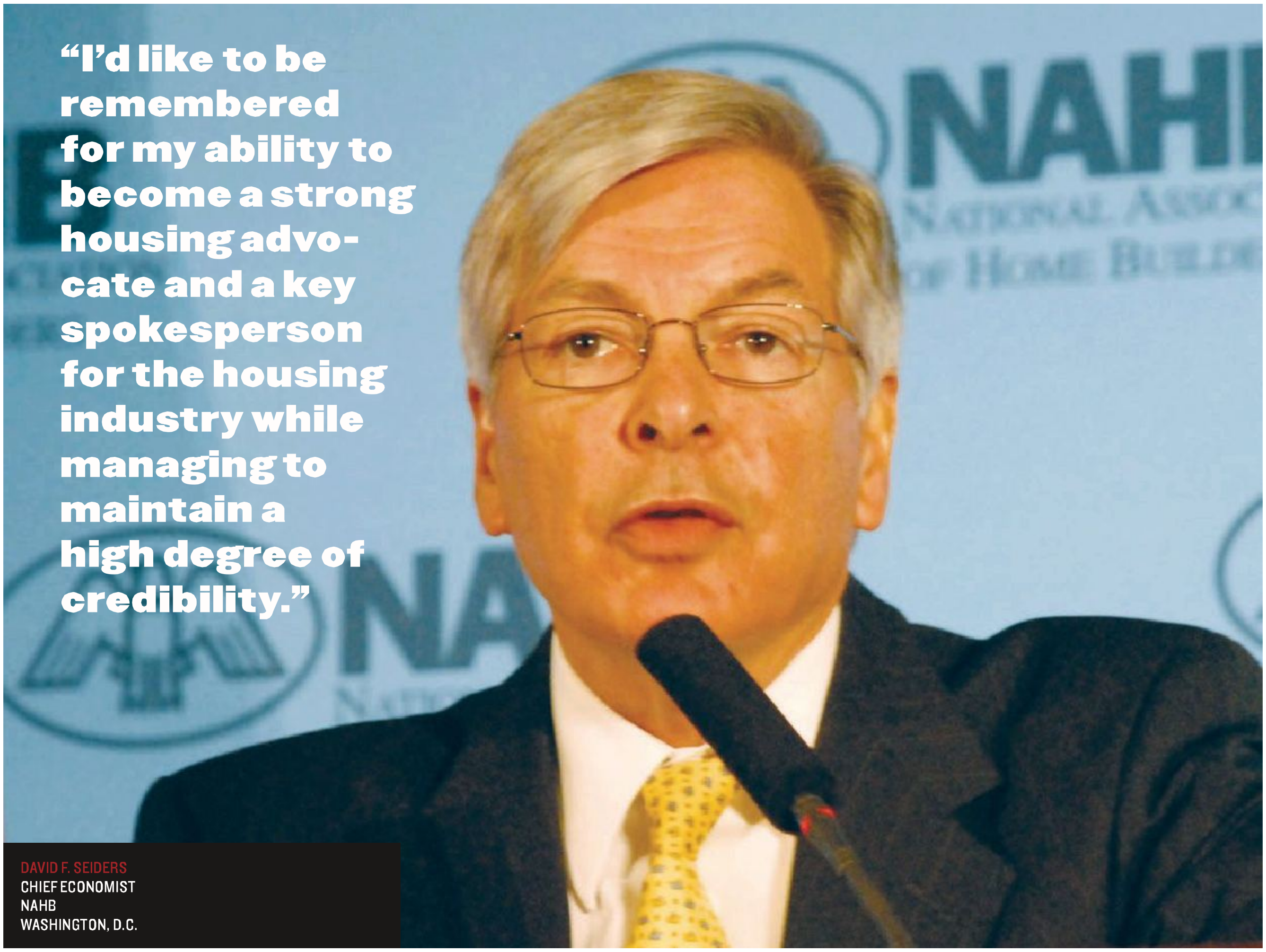


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"I'd like to be remembered for my ability to become a strong housing advocate and a key spokesperson for the housing industry while managing to maintain a high degree of credibility."

DAVID F. SEIDERS
CHIEF ECONOMIST
NAHB
WASHINGTON, D.C.

COURTESY NAHB

DAVID F. SEIDERS HAD SOME PRETTY serious chops in the field of housing economics when he joined the staff of the National Association of Home Builders as its chief economist in 1984. By that time, he'd already served as chief policy analyst for housing finance with President Ronald Reagan's Commission on Housing and worked as a senior economist at the Federal Reserve Board in Washington. During the next 24 years, Seiders would become one of the nation's most recognized authorities on housing's role in the economy and the economy's role in housing. On Nov. 17, he began his retirement.

Among the accomplishments that have given him the most satisfaction was the development of several housing market indexes. "They've proven to be pretty darned good leading indicators," he says.—*Pat Curry*

Q: How would you like your tenure at the National Association of Home Builders to be remembered?

A: I think I'd like to be remembered for my ability to become a strong housing advocate and a key spokesperson for the housing industry while managing to maintain a high degree of credibility.

Q: What needs to happen in today's economy for the housing market to begin to rebound?

A: We need something to arrest the downward spiral in housing prices and more strenuous efforts to eliminate foreclosures. Hopefully, we'll see some additional stimulus directed at housing. We are the core problem in the economy today.

Q: What advice do you have for your successor, David Crowe?

A: Oh boy. Keep in very close touch with the field. Play it straight with the press.

Q: If you had a dollar for every time someone asked you to predict when the housing market was going to bottom out, what would you buy with the money?

A: I'd have enough money accumulated during this particular housing contraction to buy almost any quality crystal ball. I think I may need one. It will help see me through the unprecedented problems we face today in the housing market and the financial system.

